

## Defence

## Asian adventure drains overseas funds purse

by Julian O'Brien

OUR defence force in Singapore costs the taxpayer some \$30 million a year to maintain — most of it in scarce overseas funds.

The force has not seen action since the Indonesian-Malaysian confrontation of the 1960s. Nor is it likely to. Both Malaysia and Singapore have their own forces for dealing with internal or external defence problems.

The 1978 *White Paper* puts it this way: "New Zealand cannot ignore the implications of possible instability in South-east Asia for our broader interests and security."

"Yet with the effective withdrawal of British and United States forces, it is obvious that New Zealand can play no significant military part in the area."

It points out that the five-

power defence arrangements between New Zealand, Australia, Britain, Malaysia and Singapore "imply no commitment to provide military forces in the event of external attack or the threat of attack, nor do they require the stationing of New Zealand or other outside forces in the countries concerned."

The paper concludes: "There is no longer a strategic requirement for us to base forces in South-east Asia."

One of the justifications for keeping the force in Singapore is that it boosts New Zealand's image in the region.

It provides concrete evidence of our commitment to stability in South-east Asia, and the New Zealanders are active in sport and cultural affairs in Singapore.

A major of the defence base often plays a central role in welcoming visitors, and the



Singapore... incentive for recruiting staff

army band plays regularly in the area, providing further evidence of a New Zealand presence.

The presence of a small force of New Zealanders also helps spread the diplomatic load among our ANZUS partners.

But the major reason for keeping the force in Singapore is for training.

The Defence Department sees the base as providing our

defence personnel with excellent contact with ASEAN troops — and it says one payoff has been ever-closer contact with Malaysian and Singapore forces in joint exercises.

Soldiers from most New Zealand-based units are sent to Singapore to gain experience in a tropical jungle environment, and Royal New Zealand Air Force Skyhawks regularly fly into the region for exercises

with Malaysian, Singapore and Indonesian air corps.

The Singapore base does appear to give the New Zealand military — the army in particular — an incentive for recruiting staff.

Overseas travel is one of the drawbacks emphasised in recruiting advertisements — and for regular troops it means cheap travel, duty-free shopping, and cheap housing on the spot for their families.

The Singapore Government's continuing well come for the New Zealand force may be explained by economic rather than security reasons.

The Defence Department here estimates that it cost \$28 million to maintain the force last financial year. And much of that money goes into the Singapore economy through New Zealand purchases of equipment and provisions, plus the wages and overseas allowances that are spent locally by the non-staff and their families.

From an economic viewpoint, the deal looks rather less attractive for New Zealand.

If the troops were at home, much of the money spent in overseas funds would be paid out in New Zealand currency, and spent to boost our own economy.

The money saved by keeping the force at home could be spent elsewhere within the defence budget.

All the forces are badly in need of extra funds — and funds that could go toward re-equipping them are disappearing into our Asian adventure.

The Defence Department points out that when a decision is made to bring the troops home, it will cost more money to bring them back than it does to keep them at the Singapore base.

There will need to be an extensive outlay on new buildings if the battalion is to be kept together. But since the outlay has been made, and the troops brought home, then the savings will begin.

These savings will not reach

\$28 million, because that figure includes many operating costs that will still be incurred at home — but the department is unable to give a figure on what the savings would be.

The 1978 *White Paper* said New Zealand should concentrate on a Pacific defence role, and on equipping and training units that can mesh in with those of our major allies — especially Australia.

The defence review of these two roles would give forces a sound basis on which to expand in the face of any threat to New Zealand's national security.

It said the only way to respond to "low-key" probes outside New Zealand is quick movement to make spots — and also to participate in overseas training and change programmes.

"The new policy objectives set in this review do not call for the permanent basing of New Zealand forces at any overseas location."

In terms of the new policy, now to be implemented at strategic terms, therefore, continued presence of a force in Singapore... is not advised.

"Accordingly this force... is withdrawn to New Zealand during the review period to be mutually agreed between the Singapore and New Zealand Governments."

That was in 1978. During that year, the decision was made to keep the force at home.

The *White Paper* said: "The decision was made to keep the force at home... on its return, so that buildings and facilities could be provided on the spot."

But even that preliminary decision has not been made. The Defence Department there has become majorities of attitudes to the Singapore base since the paper — it says a decision to withdraw would be made at a policy level.

The *White Paper* has made it clear that the Singapore base is of no strategic use. Taxpayers may well wonder whether the other reasons for retaining the base are worth the high cost.

NEW ZEALAND'S NATIONAL WEEKLY OF BUSINESS, POLITICS AND ECONOMICS

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## Carter Holt called on for help

involvement with Japan's Oji company — could help Winstones pulp sales in the Japanese market.

A takeover offer for Winstones from Carter Holt apparently has not been ruled out. A deal with NZFP, on the other hand, could help Winstones' with timber supplies.

Options open in both these companies seem to be:

• To buy the pulp from

Winstones and sell the product to help out. But we are seriously considering it."

The crunch which led the company to seek Government assistance was not clear as we went to press.

With losses around \$10 million, Winstones submitted a request to the Government for bidding finance last Wednesday.

NZFP managing-director Doug Walker told NBR last week: "We've not been ap-

proached by the Government to help out. But we are seriously considering it."

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NZFP managing-director Doug Walker told NBR last week: "We've not been ap-

of a downturn in demand for thermo-mechanical pulp.

It is understood some companies which were previously keen to develop pulp and paper mills because of optimistic FAO predictions of wood product demand are now re-thinking those projects in light of recent capacity build-up in Brazil and Canada which might lead to a glut of newsprint production.

UEB Industries has canned

Continued on Page 5

## Foreign interest rises in hotel investment

by Gordon McLauchlan

THREE groups are firming up proposals to put together high-rise tourist hotel deals for Auckland.

Investment from Singapore, Hong Kong and Japan is known to be involved in two of the deals, and probably in the third.

A Singapore investor is looking at a high-rise hotel project on Wellington's Customhouse Quay in association with Fletcher Challenge and British Petroleum, now looking at diversification in line with oil company policy around the world.

The most advanced Auckland project is the \$10 million Sheraton on the Karangahape Road end of Symonds Street, announced before Christmas.

It has 40 per cent Development Finance involvement, 40 per cent from Air New Zealand and 20 per cent from the Japanese-owned Sheraton group. A 10-storey block associated with two six-storey blocks is planned.

The next most advanced plan involves a Hong Kong-based family shipping company, Eastern Prime Line Ltd, which was the secret buyer of the former Star Hotel site in Albert

Street at a mortgage sale late last year. The company has also bought the old Kempthorne and Prosser building next door for a total investment of \$1.3 million.

Eastern Prime Line is negotiating a joint 374-room high-rise hotel investment and management deal with Mandarin Hotels of Singapore. Mandarin is known to be considering putting up 20 per cent of the \$30 million-plus project.

Mandarin is also negotiating with Fletcher Challenge and BP for a similar project in Customhouse Quay, Wellington.

Mandarin general manager Sonnie Lien made a quiet visit here last month and is expected to be back in March. He talked with local businessmen about the hotel deals and looked at real estate opportunities on behalf of other Singapore investors.

The Government-owned Development Bank of Singapore expressed the interest in taking up a 30 per cent equity interest in the Sheraton project from the DFC.

The Singapore Government also has a \$US 1 billion surplus it wants to invest offshore. Lien was closely associated

during his visit with executives from Fletcher Challenge. It is understood he was looking at surplus property which Challenge acquired when it took over Broadlands. One such property is the North Shore subdivision of Broadlands.

Another is the former Broadlands head office on the corner of Lorne and Victoria Streets and it is known that a project involving investment through Lien is a 16-storey office block on this prime site, currently under discussion.

Eastern Prime Line is a shipping company belonging to the Liu family of Hong Kong which has an annual turnover around \$US200 million. The biggest proportion of its business is the carrying of bulk timber from jungle forests in South-east Asia.

The presence of Eastern Prime Line's investment has not been previously disclosed but it has been known for more than a year that the top-of-

the-market Mandarin company has been interested in operating a hotel in Auckland.

A stumbling block to previous attempts to operate here was Immigration Department objection to the building in of Chinese staff to run the hotel with the style, or which Mandarin is noted in the East.

The third Auckland project

Continued on Page 3.

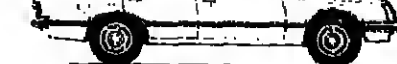
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## Lange still number two

DAVID Lange was confirmed as deputy leader by Labour's caucus.

FOOT and mouth, the first outbreak in New Zealand's history, is suspected on a Temuka pig farm. Eight hundred and twenty pigs were slaughtered and test results are awaited from Britain.

MULDOON loyalists Bill Birch and Warren Cooper who led the revamped Cabinet that raised Aussie Malcolm to full ministerial status, though still responsible for immigration and introduced Dr Ian Shearer as Minister for the Environment, Science and Technology. "Colonel" Quigley was stripped of his finance portfolio and given tourism. Hugh Templeton passed broadcast-

ing over to Cooper who replaced Quigley as Associate Minister of Finance and also inherited the Post Office from Ben "bring back the birch" Couch.

Malcolm will prop up Transport Minister Colin McLachlan as associate minister. Energy undersecretary Barry Brill was passed over for the third time.

RACE Relations conciliator Hiwi Tauroa prompted calls for his resignation when he threw his hat in the ring for the job of coaching the All Blacks team to play the Springboks, if they arrive.

AUSTRALIA's primary industries minister Peter Nixon joined Prime Minister Rob Muldoon in pouring cold water on a closer trans-Tasman economic relationship.

LABOUR Party claims that more than 7000 school leavers did not have jobs confirmed by the Statistics Department. There were 7035 school leavers

unemployed at January 31 compared with 4869 a year earlier.

WOMEN can be firefighters if they pass the entrance examinations, the Human Rights Commission has ruled and told the Fire Service Commission to accept Mrs Anne Barry's application.

ANZ Bankcard customers will pay 60 cents for each monthly statement and 21 per cent on outstanding balances from May. The other two banks in the plastic money consortium, the Wales and the CBA, will hold interest rates at 18 per cent "in the meantime".

A CAPITAL expenditure price index necessary for inflation accounting covering building, transport plant and machinery is expected from the Statistics Department in May.

BEER and spirits in public bars and bottle stores are expected to rise in price again - the last increase was in December - to

cover higher wage costs. The Government is considering removing both items from price control.

## The business week

Arthur Barnett Ltd: unaudited net profit for six months to December 31 was \$425,000 (last year \$424,000). An interim dividend of 9 per cent will be paid on March 13 for the year to August 1, previously June 30.

Crown Consolidated Ltd's takeover bid for Canterbury Farmers Co-operative Association Ltd has received approval from 80.6 per cent of the co-ops shareholders.

Enex of New Zealand Inc will design 20 mini hydro electric stations in Sabah and Sarawak, beating 49 other international bids for the \$1.2 million contract.

Humes Ltd will pay an interim dividend of 3 cents on March 31

for the six months ended December 31.

J Mercer Ltd was removed from the stock exchange listing at its own request.

THE High Court approved NZ Light Leathers Ltd's capital reconstruction, splitting \$1 shares into 50 cent units.

SLACK orders may force the closure of NZ Forest Products Whakatake board mills two weeks in every month.

CHRISTCHURCH - based roofing contractor Pavroc Holdings Ltd, already subject to a takeover offer from Filton Hogan Holdings Ltd, is having talks with a second bidder. Fletcher Challenge Ltd has been suggested.

Prudential Building and Investment Society of Canterbury Ltd: net profit for the year ended December 31 was \$252,214 (last year \$199,273). A final dividend of 10 cents will be paid on March 24.

Rothmans Industries Ltd: unaudited net profit for six months to December 31 was \$3,901,000 (last year \$3,478,000). An interim dividend of 10 per cent will be paid on April 3.

Winstones Ltd is seeking Government assistance to cover continuing losses now estimated at \$10 million on its joint venture pulp mill with Korean paper makers at Karori.

## Economic Indicators

BUILDING work increased in the September quarter last year over the June quarter. New home building rose \$7 million to \$134,174,000 and alterations went up \$500,000 to \$51,182,000. Factories and commercial buildings showed the largest increase, up \$18 million to \$115,699,000. In total the building work put in place during the quarter was

\$371,668,000 (\$343,400,000 seasonally adjusted) \$353,600,000 (\$344,500,000 adjusted)

PRIME lending rates in the United States eased half a per cent to 19 per cent.

GOLD firmed.

## The week ahead

MONDAY: Third Asia-Pacific congress in plastic and reconstructive surgery, Auckland till Wednesday.

TUESDAY: Funeral directors association annual conference, Auckland till Thursday.

WEDNESDAY: Gas association conference, Blenheim, till Friday.

EMPLOYERS Federation director of advocacy Max Bradford addresses the Institute of Personnel Management in Wellington on the "Personnel implications from a 1981 economic forecast".

THURSDAY: Firestone NZ AGM in Christchurch.

FRIDAY: Credit union league conference, Hamilton, till Sunday.

## Exchange rates

AS at February 12 \$NZ\$

Britain	3019
United States	9369
Canada	11223
Australia	8067
Fiji	2462
Austria	1429
Belgium	3212
China	1392
Denmark	6157
France	4135
Greece	4731
Hong Kong	4952
India	7681
Indonesia	5307
Italy	9418
Japan	19011
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Portugal	5242

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# Trade hopes high after Egyptian food talks

HOPES are high that another lucrative door into the oil-rich Middle East has opened after the visit last week of Egyptian Minister of Supply Ahmed Noub.

The Egyptian party left the country yesterday, but by the end of last week's round of talks with major food-trading organisations, prospects for large supply contracts looked encouraging.

The Egyptians showed a

strong interest in virtually all our main commodities and, for the first time, frozen fish.

Officials hope that high-level Government and trading organisation nurturing of the Egyptians to recent months will lead to multi-million dollar export deals.

An Egyptian Parliamentary delegation visited here last year and just before Christmas a Fishing Industry Board mission went to Egypt.

A Meat Board-Meat Exporters Council delegation is now touring the Middle East and North Africa. Egypt is on its list of stopovers.

After last week's visit, expectations are high in Wellington that an erratic trading relationship can be smoothed out and expanded and that Egypt could become another Iran or Iraq as far as primary product exports are concerned (see story, Page 3).

In 1979, for example, exports to Egypt totalled just \$1.5 million; last year it leapt to \$13.7 million.

A large chunk of those exports has come from meat, but even these supplies, while expanding, have been unpredictable. In 1979, for instance, the Egyptians bought one tonne of our lamb, 11 tonnes of beef and nearly 1000 tonnes of offal products. Last year, we sold then 5700 tonnes of lamb, 152

tonnes of beef, 71 tonnes of lamb and 1937 tonnes of offal.

No firm announcements about contracts had been made before *NBR* went to press, but, dairy, meat and fish officials were still involved in negotiations with the Egyptian party.

A Meat Board spokesman said the Egyptians were "looking for quite substantial" quantities of beef, lamb and mutton. More encouragingly, they were interested in long-term contracts.

Discussion was then centring on price.

Fishing industry representatives were working on an acceptable framework for selling large quantities of fish to the Egyptians who are substantial consumers of fish products. Egypt imports up to 100,000 tonnes of frozen fish each year and, according to one fishing source, New Zealand could

hope to supply up to 25,000 tonnes a year.

Even better, the Egyptians have shown an interest in high-volume, lower-valued species that are not attractive to the local market - particularly mackerel, hoki and barracuda.

No single New Zealand company could supply the quantity of fish required and the Egyptians prefer to deal with one trading organisation. Fishing Industry Board officials are now working on a possible solution in which it would undertake the general marketing and pass the supply role on to downstream fishing companies.

That would be a departure for the board, which takes no part in marketing or licensing. But, the problem is not regarded as insurmountable, particularly given the potential quantities of fish products involved.

## Foreign investors give lift to hotel building

Continued from Page 1

involves a site in Albert Street, almost exactly opposite the Eastern Prime Line acquisition with access to Queen Street.

The planning, at this stage, includes investment from the Japanese conglomerate Tokyu Group, with the project being put together here by Fletcher Challenge and JASMA, an architectural and engineering firm.

The broad information on this 496-room \$66 million project became available after the Tokyu Group released it to the press in Tokyo - to the dismay of Fletcher Challenge.

When the report was carried by daily newspapers last week it included the DFC as an initial shareholder after getting the information from a Fletcher Challenge executive. DFC immediately denied involvement - which Fletcher Challenge later corroborated - but later still, general manager John Hume reportedly said the DFC was "looking at this project, as we are a number of others".

Some senior Fletcher Challenge executives seemed confused. The company is involved with Mandarin in the Wellington project and with Tokyu in one of the Albert Street projects in Auckland, but executive apparently did not know in Auckland that Mandarin was doing business with Eastern Prime Line on the site across the road.

Fletcher Challenge is already an investor in tourism

with interests in Vacation Hotels and Travelodge and the travel agency Atlantic and Pacific. It had generally been assumed within the industry, that the country's biggest company was a fairly reluctant participant which would be happy to quit its interests if it could get the right price.

The new interest in hotel projects would suggest a new enthusiasm for tourism. But a senior executive told *NBR* there was no change of policy and if there was the information would have to come from chairman Ron Trotter.

There is some concern among those involved in the two Albert Street projects in Auckland that the Government might not feel obliged to continue its 9.5 per cent tax-free incentive grant for more hotels than it thinks is necessary in the city. The Sheraton is virtually assured of the grant as it is almost ready to start construction and is scheduled to be open in two years.

One of the other two projects is likely to get the incentive but there is speculation within the industry in Auckland as to whether the Government would feel justified in giving the 9.5 per cent to a third hotel which might cause a glut of high-class, high-tariff rooms in the city.

Most likely it will depend on the timing. With the Sheraton due for operation in 1983, and the other two high-rise projects working on a lead time of several months of planning and

three or more years of construction, the Government is likely to feel the rooms will be needed by 1985 or 1986 anyway and award the incentive to both.

As one tourism observer said last week: "You can bet that if foreign companies have major

investment in tourist hotels in New Zealand they will want to provide tourist facilities here as well to attract their fellow countrymen and they will be encouraged to promote New Zealand to fill those hotel rooms."

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## The week

# Smelter critic examines the public's risk

by Rae Mezengarb

CANADIAN economics professor Bob Wright last week told the New Zealand Association of Economists' Conference that the Government was "in a very vulnerable position" and stands to bear "a disproportionately large share of the losses" which could result from the second smelter.

The visiting professor to Otago University joined a growing group of academics who have publicly criticised aspects of the controversial smelter proposal.

Wright's paper — *Subsidisation and Risk Sharing in Energy Intensive Projects* — examines the way in which the economic risks associated with the second smelter (and related energy developments) are shared among the Government, the smelter owners and the public.

It looks at the way unfilled

expectations about product prices, construction costs, exchange rates and effective tax rates could affect these participants.

And it discusses some macroeconomic risks which "inevitably accompany large scale projects and which are borne by the Government and the public".

Conscious of the vast literature already published, Wright has aimed to contribute to the smelter debate rather than simply add a "new set of numbers".

Initially, he identifies a Base Case which he hopes approximates the line of reasoning which led to the Government decision. Under these circumstances, he says, the project seems viable and the distribution of benefits is not unreasonable (even though energy income is not quite sufficient to pass the "10 per cent test" which the Government appa-

rently used in the evaluation process.)

Wright then identifies four significant risks: Cost overruns, low aluminium prices, adverse movements in exchange rates, and a fall in effective tax rates.

He concentrates in the main part of his paper on adverse movements in these variables and says in summary: "... the

Government bears a disproportionately large share of the losses which occur if these risks materialise (and the company is relatively immune). Further it is shown that a moderate negative shift in all of these variables creates a situation in which the project becomes uneconomic from the Government's perspective.

This is particularly disturbing because the Government has very little control over the causative forces."

He concludes that the Government is in a "very vulnerable position", the seriousness of which is a "matter of individual judgement" and depends merely on one's assessment of the likely course of

future events and one's degree of risk aversion.

"In my view, prudence would suggest a reappraisal of the project, or, if an irrevocable commitment has already been made to go forward, a close examination of those elements of the contract with the smelter company which are still negotiable," he says.

## Aqua Avia directors flex muscles

AQUA Avia Society members were organising a meeting at week's end to elect a new board of directors.

It is understood members want a new board which includes the directors who resigned earlier last week and excludes one of those who hasn't withdrawn from the directorate, John Rutherford, of Christchurch.

The Aqua Avia board, before the upheaval, comprised Mur-

ray Purchase, John Yates, Murray Tracy (secretary), Mat Thompson, Sir Reginald Barnwell, David Culham and John Rutherford.

Disension arose after a meeting called by Rutherford, a Christchurch lawyer, at which W T Kele was supposedly elected to the board.

Purchase, Yates and Tracy called a meeting, which Rutherford attended, at which they

claimed the election of Kele was not valid. They called on Rutherford to resign, but he refused.

Purchase, Yates and Tracy then resigned.

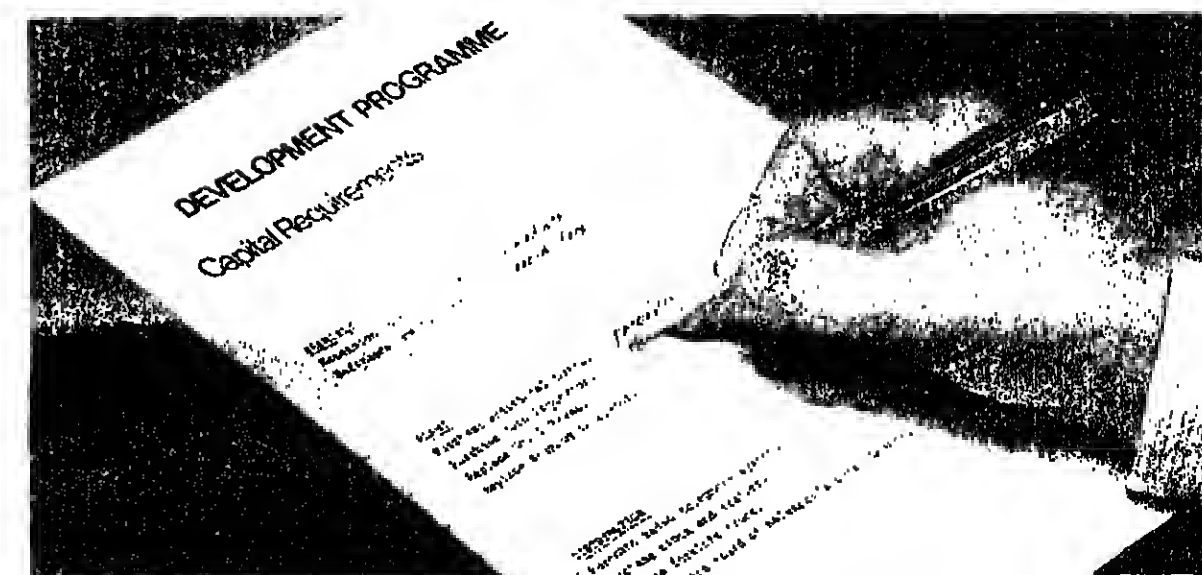
Managing-director Mat Thompson was overseas when the trouble broke. He was trying to arrange the first Aqua Avia charter flight with an American company, Evergreen — an airline which has been accused in the United States of

having CIA associations.

Thompson was told by telephone what had transpired, then verbally submitted his own resignation.

By the time the dust had settled, only Barnwell, Rutherford and Kele remained on the board.

At that stage, it was decided to issue notification to the society's 1000-plus members of a special meeting 14 days later to elect a new board.



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## Editorial

WHILE the Labour Party was promising us — of all things — a “new look” Bill Rowling, the Muldoon Government was showing us a “young look” Cabinet. For political cosmetics, it was a busy week.

But let's not be fooled by the image polishing. That refurbished Cabinet, for example, is bound to be a few-days wonder. Before long, you can bet, the familiar Muldoon style of executive leadership will re-emerge.

Sure, there was minor infusioo of new blood as Muldoon enlarged the Cabinet from 18 to 20. But the old guard are still there; they have been dropped in the rankings, in anticipation of their departure from politics after the election, but they are all running the same departments as before and for the most part we can expect it will be business as usual.

In the wake of the leadership coup attempt and the deputy leadership battle, Muldoon has strengthened his personal grip by promoting loyalty above ability. That might do marvels for his peace of mind, but — more important for the party's election hopes — it must further aggravate electorate opinion (his choice of Duncan MacIntyre as deputy still rankles in rural areas).

Derek Quigley may reasonably claim to be the party's first choice as deputy leader; he, along with Jim McLay and George Gair, are the Ministers who command the greatest respect outside of Parliament. But Quigley didn't make it to the front bench in Muldoon's manoeuvring. And — despite his elevation in the pecking order — he was

shifted from Associate Finance Minister to Tourism (although finance is his major interest). He thus loses influence in economic policy-making, where he has performed so successfully. The curious point is that, whatever Muldoon might say of Quigley in public, he seems to have a high regard for his ability and solidity. He is known to accept Quigley's proposals in Cabinet even in the face of adverse Treasury reports, for example.

More extraordinary, McLay has been dropped two places in the Cabinet pecking order, from 15th to a lowly 17th position. Yet McLay was probably the most successful Cabinet Minister of all last year in terms of achievement. He is respected for his management ability, his projection of the department's aims and ability to articulate policy, and his encouragement of innovation. Also, he also backed the rebels in the coup attempt (and is being penalised, apparently, for what Muldoon sees as a lack of political perspicacity).

Gair openly supported Quigley for the deputy's job in the leadership crisis. Result: he remains in the same position at No. 6 while Bill Birch and Jim Bolger have been promoted ahead of him. Birch led the lobbying for Muldoon during the leadership coup attempt.

Awake Malcolm's loyalty has been rewarded, too, by his elevation to Cabinet rank; Barry Brill, who backed the wrong horse, remains as an under-secretary. The most spectacular rise was that of

Warren Cooper, who has rocketed from low down in the heap to number eight. He has also picked up Broadcasting from Hugh Templeton and — more important — the plum Associate Finance portfolio which Quigley had cherished. Muldoon explained that Cooper has been rewarded because he is “a tough guy — he is a businessman”. We must wait and see what effect those qualities have on his effectiveness in helping to restore the nation's economic health.

While Muldoon was re-shaping his Cabinet, of course, Labour was moving to break up its “shadow” equivalent in an effort to foster party cohesion. The shadow cabinet experiment did not work, and while key policy pronouncements have been made, internal squabbles have ensured that the party's objectives are not being comprehended by the public. Instead of projecting policies, Labour is projecting disunity.

The party has planned a new industrial strategy which it would implement if it became the Government. The nature of that strategy has made little impression on the electorate. There has been some discussion of Labour's attitude to aluminium smelters, the mining question or unemployment, for example. And where the party has a stated position on some issues, the public is made aware of equivocation and dissension (Bob Tizard has been out of step in making no secret of his support for big-bang development).

Rather than make clear its distinctive stance on major policy issues, however,

Labour seems to be going into the election business. We are promised a “new-look” Rowling, to be promoted at a major rally on February 21. He will be projected as the “qualified economist” (he is far better qualified in the field than the Prime Minister, as publicly said Simon Walker explained last week). The rally will be aimed at giving Rowling maximum exposure to Aucklanders — the first of many rallies planned up and down the country. There will be American-style razzmatazz, such as big band music, balloons and banners, for good measure. The big hope is that all this glitz and glitter will be seen as a sign that the party's leadership problems are over.

Perhaps there will be some image-changing from Social Credit, too. The Canadian party leaders, who visited here last week, urged the league to spell out its message and to emphasise that there is more to Social Credit than monetary reform. The league must make its appeal simple and clear, was their advice.

That goes for National and Labour, too. Conveying distinctive policies to voters, now we are within eight months of an election, should be critical to party strategies if voters are to be given a meaningful choice. But for a significant threat from a third party for the first time in decades. If they wait too long in an increasingly cynical electorate, they must offer more than the tarting of appearances with paint and powder.

Itab Edlin

## Without word of a lie

### No butts about it

LATEST upheaval at INL concerns the sudden departure last week of *Sunday Times* editor Dave Thomson, who quit his Press House office after returning the hundred yards or so from a Tuesday morning visit to managing-director Alan Burnet at company headquarters.

Not surprisingly, there is widespread conjecture about what prompted the walkout (was it a push-out? for example) at a time when INL is committed to a plan to push the *Sunday Times* upmarket in a broadsheet format.

Part of the changeover strategy, we hear, requires a three-week period when the paper will not be published — presumably to enable staff to make appropriate adjustments for the broadsheet launch. But that's another story.

For now it's enough to note that Thomson's abrupt departure was followed by a brief reappearance — but only to pick up a couple of ashtrays. They had been given to him by his children, he muttered, and he was damned if he could see why INL should keep them.

### Stag party

TAXPAYERS will be delighted to hear that their money has been well spent in ensuring that Kiwi tradition was observed in far-off Vancouver, where our consulate invited “friends of the office” to join in the celebration of Waitangi Day. And all praise to our diplomats for organising a function that captured the spirit of Waitangi Day celebrations in the Bay of Islands by adding a nice touch of controversy.

They chose the Terminal City Club — and the club bars women from the room that was booked for the luncheon. Result: Alderman Marguerite Ford was *persona non grata*.

Mayor Mike Harcourt couldn't go and Ford had agreed to go along as his replacement. She was unacceptable to the consulate, which instructed the mayor's office to tell her she wouldn't get in.

The mayor's office decided against finding someone of the right sex to suit the Kiwi chauvinists.

Consul Ross Graham told the *Vancouver Sun*

that arrangements had been “too far entrained” to find another site. He also conceded he knew at the time he booked the room that women were unwelcome.

About 60 guests enjoyed the stag affair. And as the *Sun* wryly observed, the toast to the Queen was the closest any women got to joining in the fun.

### Parks push offices out

AUCKLAND'S meter maids are winning the battle against inner-city businessmen.

Last year parking tickets could easily equal a junior executive's salary. Now parking space costs more than office space.

One downtown office block, just off Queen Street, is offering office space for \$5 a square foot per year — or \$420 a year for a parking space-sized office. The same landlord is offering parking spaces for \$720 a year.

The answer for businessmen is to move out of the city, which will eventually drive down rates and values, cutting the revenue of the bureaucrats at city hall.

Given the chance, the meter maids will recreate

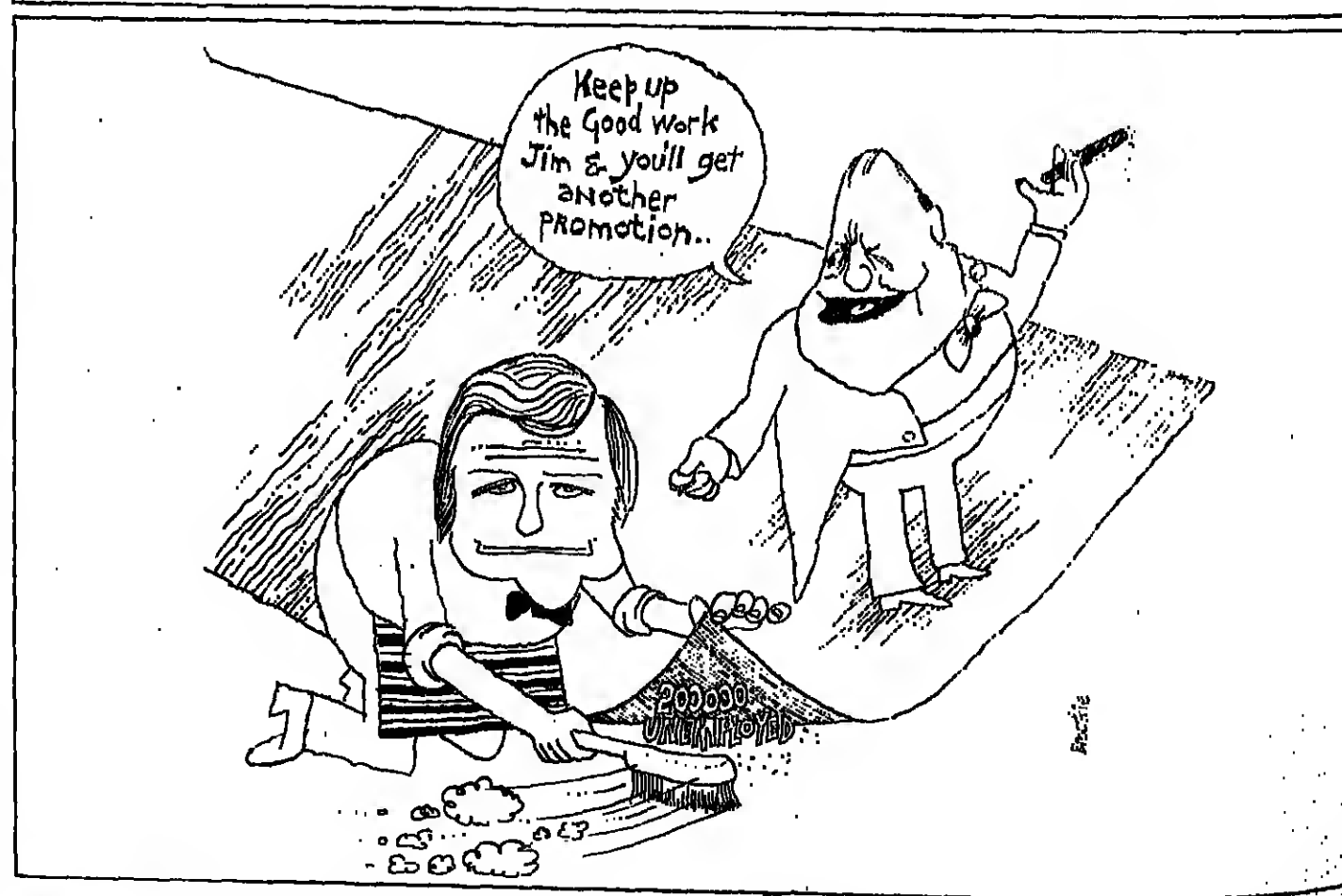
Los Angeles in Auckland, a circle of thriving suburbs around a dead ghetto at the city's heart.

Perhaps this is bureaucratic design. In one typical case in Auckland's Airedale Street, the Post Office booted all the local businesses out of its rented parking space.

Airedale Street is handy to the meter maids who do the street over as often as six times before lunch.

One floor containing four businesses in a nearby building is moving out of town where parking space is available.

## Brockie's view



## Trust in the executive inhibits flow of facts

by Jack Hodder

FREEDOM of speech has long been a respectable cause celebre. It is usually argued in terms of uninhibited discussion (although not with unqualified success before Her Majesty's judiciary). But an equally significant ingredient is a free flow of information; a freedom to express an opinion without access to facts is a farce.

"Freedom of information" has only recently become a respectable catchcry. We inherited the British system of government — a system that has been called the most secretive in the democratic world. It assumes that the executive branch can be trusted. (It also assumes that the executive branch heads — Ministers — will take responsibility for executive actions; that has become a very doubtful assumption.)

The political institutions of other democracies are based (with no little justification) on the assumption that the executive branch cannot be trusted.

The United States is perhaps the classic example and there is present day relevance in a 200-year old observation by James Madison — “a people who mean to be their own governors must arm themselves with the power knowledge gives”.

What brings us to a modest document entitled *Towards Open Government*, the report of the Committee on Official Information, better known as “the Danks report”. This 54-page opus had an auspicious beginning, being held by the Government for seven weeks before its release earlier this month. It is styled a “general report” and anticipates the release (in “the early part” of this year) of a supplementary report. That will doubtless be a more substantial document; it may provide the many answers that the general report does not.

The committee was established as long ago as

April 1978 (a deft touch to postpone the subject as an election issue) by Sir Alan Danks, a former chairman of the University Grants Committee as chairman; Ken Keith, Victoria University law faculty dean, and a fine collection of permanent and deputy-permanent heads of government departments.

The report says that there is today “a strong desire in the community for a free flow of official information”, that the time has come for “a decisive step forward” and that means a “programmed course of action, pragmatic and flexible enough to be modified as the sequence progresses”.

What that means is that the news media and numerous articulate pressure groups have become noisier on the issue of less secrecy in government, that no respectable arguments can be marshalled in favour of the *status quo* and that if the media or pressure groups do not use information obtained in a “reasonable” manner then the programme will be flexible and pragmatic enough for Ministers to slam it into reverse.

The report's “decisive step forward” is the changing of the presumption applying to the release of official information. The Official Secrets Act, the Public Service Regulations and the ordinary law of breach of confidence add up to a strong presumption that information should only be released if there is good reason for doing so. The committee proposes the reverse presumption: information should be available unless there is good reason to withhold it.

A bold recommendation, you might think. A simple step which removes inertia from the armory of the security bureaucrat or politician? Perhaps. Scopes will note from the report that the State Services Commission circularised permanent heads as long ago as 1964 that information should only be withheld if there is good reason for

doing so. If a simple reversal of presumption is all that is required then that ought to have done the trick. It didn't.

Such sceptics will also note that the report touches but lightly on the crucial question of cost. Jim McLay, who neatly unfurled a new access to information package for his department shortly before the Danks report was released, has made it clear that his package will only operate “within existing resources”. But, as the leading English advocate of open government, James Cornford, has said, “creating a public right of access is not going to be cheap”.

“Administrative practice and methods of record-keeping will have to be adapted. The time of experienced officials will be taken up, especially in the initial stages. Facilities for discovering consulting and copying documents will have to be provided... there is no point in pretending it will be cheap or anything but a damnable nuisance to civil servants, at least in the short run.”

In its three-quarters of a page on the subject of cost, the committee assesses the direct costs of its proposals (new jobs and government directories) as up to \$500,000 and suggests that, as the present cost of supplying information is response to questions is already considerable, the additional costs will not be great. Treasury may be more impressed by various estimates that the United States' Freedom of Information Act is costing up to \$200,000,000 a year in extra costs.

A new Freedom of Information Act is at the heart of the committee's recommendations. This would:

- Repeal the present Official Secrets Act;
- Embody the presumption that official information be made available unless there is good reason for withholding it;
- List factors relevant to a consideration of whether there are good reasons for withholding particular information;
- Authorise the Ombudsmen to investigate particular disputes over the withholding of particular information;

• Establish an Information Authority which would publicly recommend to the Government additional categories of information which might be made available.

Eminently satisfactory, you may think. But our sceptic will have noted the paucity of detail. Few will mourn the passing of the Official Secrets Act which is essentially of pre-World War One origin. But the report indicates that spying and release of strategic information will become offences under the Crimes Act. It does not say whether the extraordinary police, prosecution and judicial powers under the present Official Secrets Act will also be transferred.

The courts have been firmly denied a major role in the proposed legislation (although their power of judicial review will be difficult to curb). Individual cases will be dealt with by the Ombudsmen.

The Ombudsmen enjoy a high and generally deserved reputation and the ordinary legal system enjoys a generally deserved reputation for pedantry, delay and expense. It is also true that the Ombudsmen have only persuasive powers; the courts have real power. That power, the committee has decided, would complicate the proper (dominant) role of the executive in our polity.

And it seems clear that the proposed legislation will not avoid controversies over information. It will not open the way into the deepest recesses of Cabinet decisions. It will not provide the simple answer to a dispute over information which includes elements of individual privacy or commercial confidences (such as the La Varis affair or the second smelter electricity cost affair). It will not prevent re-plays, with different lead performers, of the Stuch or Blunt affairs.

All of which suggests that the Danks committee's labours will not change the fundamentals: that it is “the government” and not “the people” who are armed with the power that knowledge gives; and that “whistle blowing” is a political necessity.

Jack Hodder is the editor of *Capital Letter* and *NBR's* legal correspondent.

## Without word of a lie

### Flying circus

THE travel industry is playing charades.

The chairman of the airline industry steering committee, Albert Lovell, Air New Zealand's agency and interline manager, was reported as saying that if the travel companies did not stop fares discounting, the Ministry of Transport would be asked to take legal action against them.

It's a tribute to him and the other airlines' representatives on the committee that they have been able to keep their faces reasonably straight. No-one has explained yet how the travel companies can discount fares without getting illegal discounts from the airlines in the first place.

It's like a burglar warning his fence to stop handling stolen goods or he will tell the police. Chief clown is the Ministry of Transport, which renders itself more absurd each week.

### Policy Jim-nastics

DAPPER young Justice Minister Jim McLay slipped and missed the popular bandwagon when he announced his freedom of information policy to the press.

It seems that Jim, or his letter-writing minion, couldn't bring himself to reconcile the public's right to know with the politician's desire to stage-manage the news.

Last month a letter went out from the Justice Department, outlining Jim's freedom of information policy to various news editors. Recipients were told to treat the information as “confidential” till midnight January 27 to avoid “pre-empting the Minister's announcement”.

So it seems that even freedom of information policies are secret till the Minister gives his blessing.

This adds up to the public's right to know what Jim wants it to know when he wants it to know — hardly the sort of policy one would expect from the darling of the liberal set.

It's not that the Justice Department has a poor relationship with the press on a day-to-day basis. Quite the opposite is true. The tough nuts to get information from, include Trade and Industry, Health, Education and Energy. So one might ask what the Government is giving away in a freedom-of-information policy for the Justice Department alone?

And don't forget the list of exemptions (information that may not be divulged) in Jim's policy covers just about anything the public might want to know but wasn't told.

Ask for a copy of the secret 9A report on Securibank which might outline Government's involvement in this country's biggest financial collapse, and you'll be told it's confidential. Without prompting, Jim did give us the deep

and dirty on Skybus amounting to a ministerial warning not to take membership in this competitor to Government-owned Air New Zealand. But many sorry investors might ask why Jim or his department didn't give us a Skybus-type warning about Securibank (a report was prepared before the crash)... or JBL... or Fund of New Zealand, or ...

Ah, but there are different sorts of information. The sort that's beneficial to government is divulged in unwanted reams.

The other sort is the sort we don't get and freedom of information, McLay-style, is the freedom to take what's given, which is no freedom at all.

### Barrel of fun

NEWS of Warren Cooper's appointment to the Broadcasting portfolio was greeted with stunned disbelief by some of the TV folk at Avalon after they found it wasn't a bad joke.

There had been talk of Cooper getting the job — but talk of the jesting variety, like suggesting that Colin McLachlan would be given Finance.

They still thought it was a joke when the teleprinter from Parliament chattered out details of Muldoon's Cabinet changes and advised that “Cooper make Minister of Broadcasting” (instead of “made”).

A deliberate error designed to further the fun, they thought. But it didn't take too long for the reality to sink in...

### Promise gathers dust

LABOUR Minister Jim Bolger might have been wise to snoop through his predecessors' files before describing the current method of assessing unemployment as “a perfectly adequate and consistent method which allows us to see variations in trends”.

A 1976 census sample showed 27,210 people out of or seeking work and 9892 on relief work. The then Minister of Labour, Peter Gordon, on seeing the figures, repeated a 1975 pre-election promise “to look at the possibility of replacing the unemployment register with regular labour market surveys to gauge more accurately the number of people out of work”.

“The definition of unemployment would be broadened under a National Government”, he said.

Labour's Kerry Burke is making the same promise. “If the National Government does not conduct the survey the Labour Government will have to, immediately on taking office”.

At February 2 the current method of assessing unemployment indicated that 32,493 people were on the dole. How many people are unemployed remains a matter for speculation.

**NATIONAL BUSINESS REVIEW**

Published by Fourth Estate Newspapers Ltd.  
Managing Director: Reg Birchfield  
Marketing Director: Ian F Grant  
General Manager/Accountant: Stephen Underwood  
Editorial:  
Editor: Bob Edlin  
Production: Ralph Green, Ann Taylor.

News & Features:  
Colin James, Rae Mezenger, Stephen Bell, Jack Hodder, Allan Parker.  
Contributing:  
Finance: Peter V O'Brien  
Auckland Bureau:  
Warren Barryman  
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Promotions:  
Manager: Keith Scott

Auckland Office:  
2nd Floor, Levens Building  
Cnr Airedale & St Paul Streets, Auckland.  
Tel: 789-334

Wellington Head Office:  
Fourth Estate Newspapers Ltd  
16 Blair Street, Wellington NZ  
PO Box 9344  
Tel: 38-970  
Cables: Natobiz

National Business Review incorporates *Admnet* and is a registered publication weekly (except for last week December and first two weeks January).

Typeset and composed by Computer Services Ltd, Wellington. Printed by R Lucas & Son Ltd, 118 Kopipi Road, Paraparaumu.

Single copies: 80 cents  
Subscription rates: NZ\$30  
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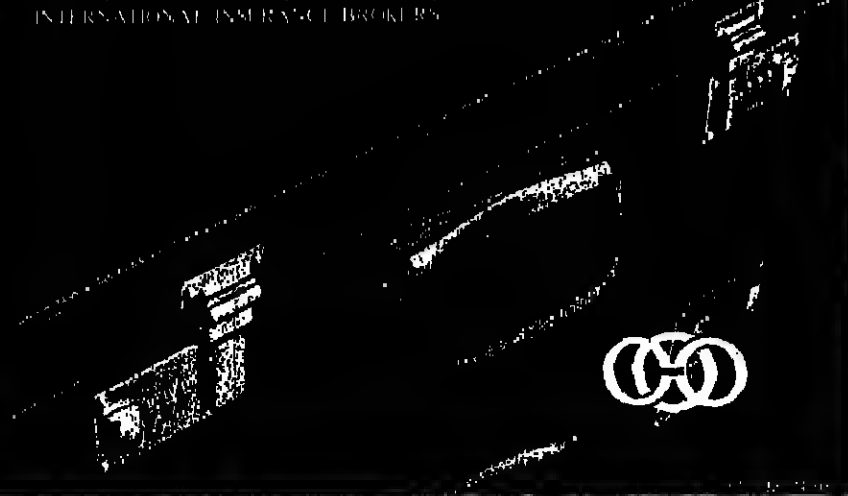
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## Letters

## A merger of moment

I AM writing in response to the article by your Mr O'Brien, headed Rowling shoots from the lip at development.

O'Brien suggests that some of the facts I used in my statement commenting on the proposed NZI/South British merger were not correct, and he quotes from the latest official statistics to prove his point.

In fact, the latest official statistics, from which he presumably is quoting, Insurance Statistics 1978-79, are not particularly satisfactory in trying to prove anything. The figures for the New Zealand Insurance Office cover only 10 months of the financial year under review, which makes their use rather suspect.

In my statement I said "the insurance market is a complex one and the extent of domination of the new giant will depend on the field of insurance concerned. But in general insurance the new company will

carry out more business than any other. Its only rival with comparable amounts of business will be the State Insurance Office. Taking fire insurance, it appears the merged company would have more than one-third of the New Zealand market."

After making allowances for the fact that the official figures for NZI cover only 10 months of the year, it does appear that the new merged company will have more than a third of the fire insurance market written by New Zealand insurers.

It is also true that the company will carry out more general insurance than any other company on the local market. As I then pointed out, the State Insurance Office (which is of course not a company but a government agency) will be its only real rival. The merged company will, in fact, be the largest composite insurance company in Australasia, according to the *Australian Financial Review* of January 29.

O'Brien also disputes that both companies were particularly prominent in the Australian general insurance market. In fact, the *Australian Financial Review* of January 28 suggests that the company may have to obtain approval from the Australian Insurance Commissioner before it can begin operating in Australia. The story goes on to point out that "if the merger does go ahead, the new holding company will have total assets in excess of \$9000 million making it a formidable force in the Australian insurance industry."

I stand by what I said in my published statement. While O'Brien may care to haggle about the exact figures, apparently basing his comments on incomplete official statistics and misquote my statement, the points that I made are valid. It will be a particularly large company, the third largest in New Zealand by the usually accepted measurements and together with the State Insurance Office, it will dominate the local market. Whether this is a good thing or a bad thing

will be a matter for history to decide. However, the weight of history so far suggests that this agglomeration of power in the hands of a few managers, who are not truly answerable to anyone, will not be in the best overall interests of New Zealand.

Bill Rowling  
Leader of the Opposition

## Bok consul defends

MAY I be permitted to respond, by way of some questions and answers of my own, to the allegations made by David Robie that sporting changes in South Africa were, in the main, cosmetic. (NBR February 9).

Whereas it is true that change in rugby has not been as fast as it has been in cricket, soccer, boxing and athletics, it is nevertheless an equivalent truth that the momentum of change, in rugby too, is irreversible. Likewise, while the Government's sports policy has been adapted continuously over the past years, it resulted

not so much from either parliamentary and/or legislative changes, but emanated from the policy to grant autonomy to sporting bodies (that is, the private sector) in deciding on the running of their own affairs. The official directive continues nevertheless to be that discrimination based on colour should be eliminated. This attitude is borne out by the fact that one Department of Sport (for all races) was created in 1979 — the first time since 1948 that any government department has "desegregated" to the extent of obliterating references to race in the administration of interracial affairs.

The most recent statement by the South African Rugby Board was to the effect that the SARB would represent all population groups, that merit selection of all national teams, including Springbok teams, would be done after mixed trials were held, that all population groups would participate in the Currie Cup and other board competitions; and that equal opportunities would be provided for players and spectators. The report of the Human Sciences Research Council published in September 1980 and undertaken on the initiative of the Government, advocates the ongoing elimination of all discrimination, statutory and otherwise.

Finally, may I post just two questions and provide my answers, both of which have a major bearing on David Robie's efforts at discreditation of the South African sporting scene: Question: What is the position with regard to the use of facilities by the different communities as far as sporting events are concerned? Answer: Participants of different colours in a particular event share facilities, such as

hotel accommodation, dressing rooms, refreshments arrangements, toilets, seating, reception, use of liquor and travelling by air, entirely on an equal basis. Separate seating and spectator facilities were required in the past, but also this requirement has now been done away with.

Question: What is meant by the so-called "racist" and "non-racist" bodies of sport? Answer: These are terms deliberately used for misrepresentation and overstatement. They are politically inspired and have no factual basis as any objective observer acquainted with the true state of affairs will be able to testify.

Their use is confined to the South African Council of Sport, their London-based sponsors, SANROC, and such political bodies as they have succeeded to canvas overseas.

In South Africa they derive their support mainly from the two smallest population groups in the country namely the Indian Community (mostly from Natal) and the Cape Coloureds. Their support from the Africans (or real Blacks) is minimal.

Despite their claim of non-racialism the recognised controlling bodies of sport, the so-called racists, cater for the overwhelming number of sportsmen and women of all colours in South Africa. SACOS have been challenged repeatedly to prove that they represent more than 5 per cent of all the sportsmen of all colours in South Africa. All the Black sporting bodies are also being branded "racist" by them.

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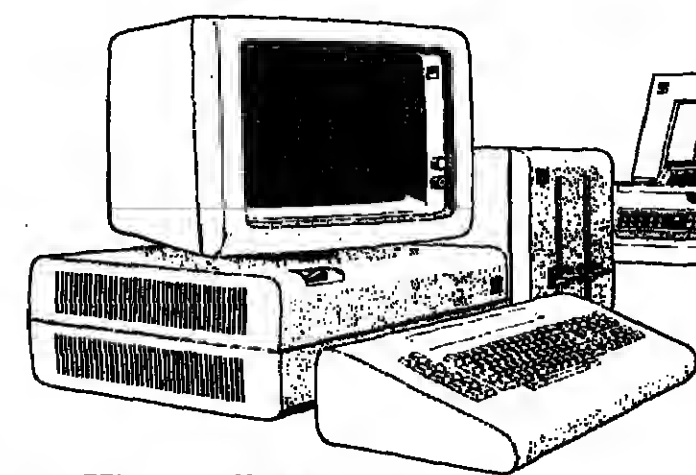
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## Politics

## Analysis by paralysis in the generation gap

by Colin James

THE generation gap has come to the political parties. And, as we have seen in the leadership struggles over the past few months, it makes for uncomfortable living.

As this column was going to press, Labour was about to put Bill Rowling's leadership on trial again to see if he was going to be more assertive and inspiring.

Earlier in the week it was National's turn in the soft-shoe Cabinet shuffle that did more to show off fancy footwork than produce real change.

It is intriguing how like each other the two older parties in Parliament have become. Not in policies, but in behaviour.

On successive days last week in private interviews with me, a senior MP from each party pinned for leadership.

Though they chose different words to say it, essentially they said: "If only we had the encouragement and a strong lead from the top, there are people here of real ability who would slog their guts out."

The corollary was: since that lead was not there, MPs have been finding themselves going round in circles or dissipating their efforts in divergent directions.

Up till the middle of last week at least, neither leader had shown an ability to harness those energies in collective effort. And that has been because they are from a different political generation from that of the younger MPs rocking the boat.

The two leaders have a pre-war mentality; the rising younger MPs a postwar mentality. The two older men are cautious, more concerned with security than brave new initiatives; the younger set are risk-takers, confident and impatient.

The strain has shown differently in each party, because the personalities and state of the parties are different. But in each case the underlying cause — the fundamental source of all the disagreements over policy, or personnel, or management style, or public projection — is that deep difference of attitude.

Until the young or breed take clear command, the strains will remain. The question, in these times of electoral upheaval, is whether that will happen before severe damage is done to one or both of the older parties.

Last week's Cabinet shuffle is a measure of the gulf between the leadership and the new mentality.

For two years party activities have demanded a fresh image.

At local level this has taken the form of pressure on older men to retire. This had some success: Lance Adams, Frank Gill, Colin McLachlan and Leo Schultz.

At national level, the demands of the council and executive have centred on Cabinet reconstruction — both to reflect and implement the party's wish for policies more oriented towards private enterprise and to present a new public face to reinforce policy change.

These considerations underlay much of the party preference for Derek Quigley over Duncan MacIntyre as deputy leader.

That preference being, ig-

nored, the executive told the Prime Minister in what I understand was a torrid session that he must push up some of the private enterprise champions. If Quigley was not going to be deputy leader, he must at least be high in the new Cabinet.

To which the Prime Minister replied that if ministers who were in touch with public opinion were to be promoted, then up should go Ben Couch and Merv Wellington. Apoplexy and cold sweat among the worthy executive amateurs.

In the event, it seems some of the executive message got through. Couch and Wellington remain near the bottom of the Cabinet.

But it was only some of the message that got through and even that has been subject to reinterpretation in the prime ministerial operations room.

Another minister passed over for promotion was Jim McLay, who by any standards has been one of the successes of the Cabinet.

He has won high marks from party observers for his articulateness, innovation, management style and energy in the justice portfolio. Once sceptical political pros have come round to singing his praises.

But he was one of the four colonels in the October leadership challenge. The veiled threats at the time have come good.

Another colonel — though an unvocal one at the time — has also stayed put. George Gair has been leapfrogged by loyal Bill Birch and colonel-cum-switcher Jim Bolger.

Neither of the leapfroggers is intrinsically a better minister than Gair, who has had remarkable success in turning round the direction of health spending with minimum fuss.

Moreover, Gair's urbanity and reasonableness have been an important factor in such appeal as National still has to liberals.

There is, however, something to be said for not promoting Gair in that he is not one of the hardline private enterprisers. His image and style is essentially one of 1960s compromise.

The same cannot be said of Quigley, who has been most curiously treated. He has been promoted — from sixteenth to ninth — but how grudgingly! If the Prime Minister had really been listening to the party, it would surely have been Quigley who went to fourth slot, rather than Birch. At least, the clear party preference for him in the deputy leadership stakes should have set him on the front bench.

But no, Quigley is in seat nine, one away from the front. And, for good measure he has lost the associate finance portfolio, though even the Prime Minister has had to acknowledge Quigley's ground-breaking work on holding state spending by keeping him on the Cabinet expenditure committee.

The front bench appointment went to leadership loyalist Warren Cooper, who leapfrogged Quigley in the process, having been two places below him in the old Cabinet.

In one respect, party opinion will welcome Cooper's advance: he is a hardline private enterpriser. But he is scarcely Quigley's equal in solidity and innovation.



Jim McLay... articulate, innovative, management style and energy unrewarded.

The same failure to get the party message shows up in the Prime Minister's choice of new ministers.

Assuming that the class of '78

had to be excluded, party opinion would have indicated the express-train brain of Barry

Brill, the vigorous unconventional-ness of Mike Minogue or the quiet application of Tony Friedlander.

There are good reasons why each would not be an ideal choice.

Brill is occasionally erratic or too bullheaded on policy and is accident prone. He also has a knife-edge majority in Kaitiaki.

Friedlander has the same marginality problem in New Plymouth, plus doubts in the party hierarchy that he has worked his electorate hard enough.

Minogue is too maverick for any Prime Minister but a Sir Keith Holyoake to handle constructively.

But (more importantly?), they also share a reason for

non-promotion: all three have been of suspect loyalty to the leader.

Ian Shearer and Aislinn Malcom are on that score safe. But — and this applies particularly to Malcolm — they don't cut much ice with the party.

But then, neither do McLachlan and Adams-Schoeder, who remain in the Cabinet when their impending retirement gave the opportunity to drop them.

The fancy footwork applies even in their case, however. Down they have gone from the front bench to slots 14 and 15.

Down, too, has gone Brian Talboys, to slot 13. Now, it is true that Talboys is retiring, so similar treatment might be justified on that score. But his mana in the party and the country is very high and in many eyes would have justified retention at a higher level.

By now, if you have followed the mercurial sidestepper from Tamaki through his brilliant midfield sprint, you may have lost sight of the ball, the sidelines, the goal posts and even the other players.

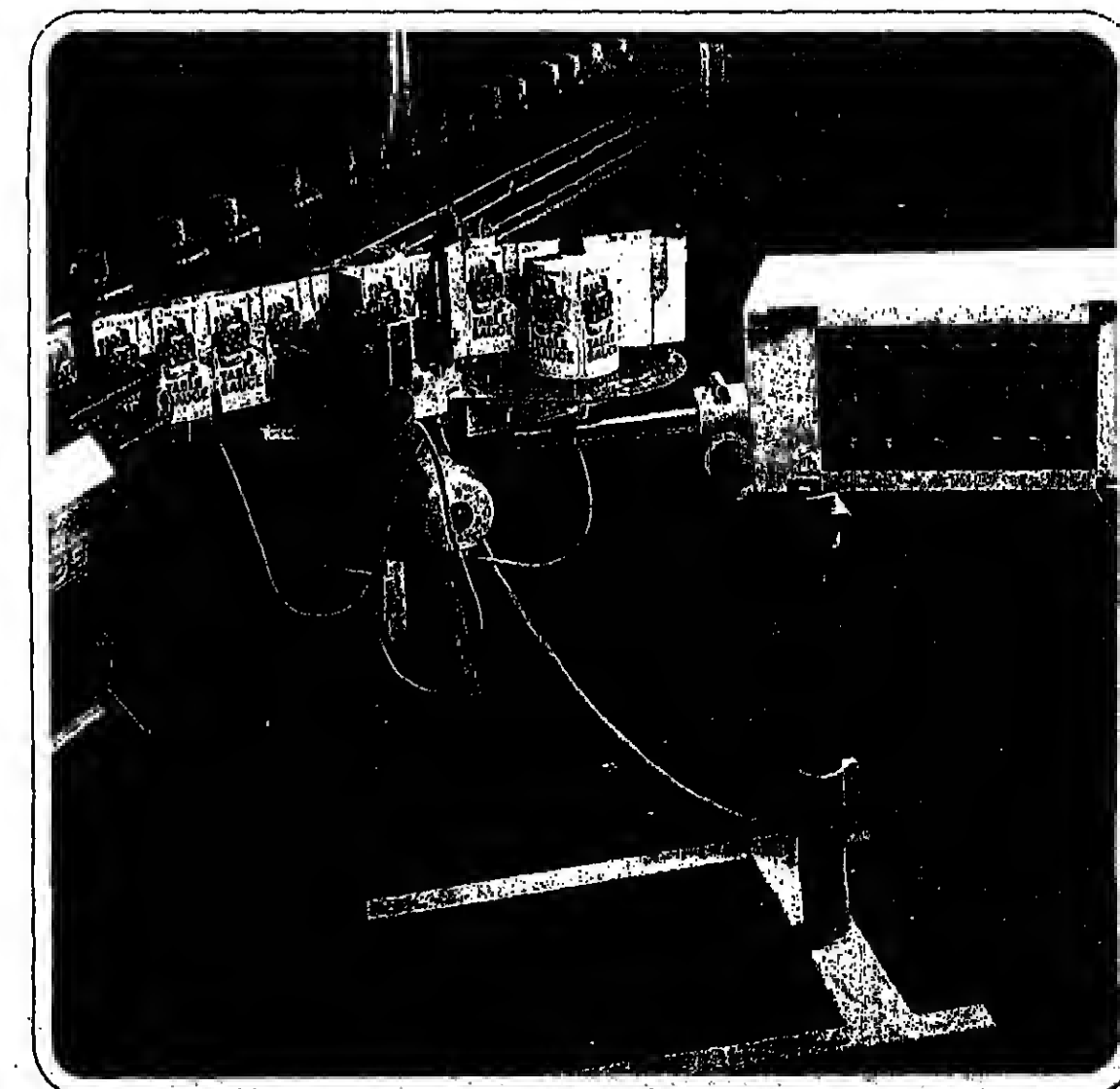
Well, the ball is still there in his hand, but after all the manoeuvres, he is back practically where he started.

It is great viewing, but the object of the exercise is to score tries. The New-Cabinet Play has gained five metres, not 50. It is not a Cabinet of the 1980s, but of 1980.

In the 1960s, the extent of this reshuffle might have been thought bold. But in these dynamic times, such tinkering amounts (to turn Norman Kirk's aphorism on its head) to "analysis by paralysis".

How long the party can put up with that is a matter for a future column. Rest assured, there is growing impatience.

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### Economics Writer

A REDUCTION in wage rates would increase employment levels, concluded Reserve Bank economist, Arthur Grimes after a careful study of the causes of unemployment.

Speaking to the Association of Economists in Wellington last week, Grimes talked to his paper, *A Model of the New Zealand Labour Market*. Stimulated by current unemployment of about 6.7 per cent, his research attempted to shed light on the structure and workings of the labour market through sophisticated economic technique, making use of the Reserve Bank "core" model of the local economy.

Grimes designed a nine equation "economic model" of labour market conditions here and then carried out several experiments by changing one or two conditions. He reduced wages to 98 per cent of their historical value. The effect was a rise in employment and output and a fall in unemployment. "The 2 per cent reduction in nominal wages was found to increase employment by approximately 0.5 per cent while increasing investment and the capital stock as well."

Previous research into the local labour market has tended to either reflect the narrowly based judgements of workers, employers and other participants in labour market negotiations or has failed to make sufficient use of the analytical techniques available. "The result has been that when unemployment began to increase in the second half of the last decade no coherent theory or policy was available to stem what has become the most serious domestic employment situation in 40 years."

NZIER's Kerry McDonald and Keynesian economist Wolfgang Rosenberg have articulated the major opposing views on the trade-off between wages and unemployment.

McDonald holds to microeconomic (partial) description of the relationship between wage earner and employer in determining salary and wage increases. He said

increases are seen either in relation to productivity, selling prices and their impact on employers' total and relative input costs, (and in turn on profitability, investment or labour force size), and in relation to the cost of living and employees' real (purchasing power) income trends. Looking at the growing share of gross domestic product (GDP) going in salary and wages, McDonald argued that the reaction was for reduced investment rates, leading to a decline in the demand for labour. So, increased unemployment in the late 1970s was largely the result of growth in the salary and wage share of GDP. When McDonald examines after-tax earnings, he found that it is the government sector, rather than the salary and wage sector, that has increased its share of output (GDP). Either way, the result is a fall in private sector investment and employment.

Rosenberg's is a more macroeconomic description of the relationship between real wages and unemployment. He does not concentrate on the market interaction between workers and employers, but on the role of wages in determining incomes which in turn bring about changes in the demand for goods and services. His angle is that investment alone will not lead to more output and employment. Businesses must be convinced that there is a demand for their output before undertaking investment.

In Arbitration Court proceedings, the Federation of Labour, the Employers Federation, Treasury and the Reserve Bank have presented submissions based on McDonald's and Rosenberg's views. Following Rosenberg, the Federation of Labour see wage increases leading to growth in demand (for goods and labour), as well as a fall in costs (and rise in profitability) as workers are encouraged to be more productive.

The Employers Federation, on the other hand, stresses the McDonald analysis that wage increases lead to higher costs and lower profits. Treasury and the Reserve

Bank have tended to stress the detrimental effects of wage rises on the balance of payments deficit.

Grimes observed that "the arguments and counter-arguments reveal the complexities of the issues involved in labour market relationships. Each contention, when presented in its own light, appears sensible, although incomplete."

"It is probably that neither the macro nor the micro approach is by itself a sufficient analysis of the relationship between wages and unemployment."

So, rather than choosing one view of the relationship between wages and employment, Grimes designed a model which attempts to include the various approaches and to estimate the relative importance of each using econometric techniques. Since Australian labour market research has tended to be of greater depth than its New Zealand counterpart, he looks to it for ideas when shaping his own analysis.

In contrast to most local analysis, which looks mainly at the determinants of the demand for labour, the influence of labour supply on unemployment has been integrated in to several Australian studies. The unemployment rate seems to be a significant determinant of the labour supply, and the trend towards rises in female participation in the work force.

A New Zealand model of labour supply might examine migration flows in addition to participation rates.

Another Australian finding substantiates Rosenberg's analysis. Rather than increasing employers' demand for labour, increased labour productivity was found to encourage employers to diminish their employment of labour while continuing to produce the same amount.

Grime's model finds that the "supply side of the labour market both affects and is affected by unemployment. The natural increase in the population of working age potentially

leads to increased unemployment through an increase in the labour force while the participation rate and migration flows are both apparently affected by the unemployment rate while acting at the same time to help determine the level of unemployment."

On the demand side it is noticeable that rises in unemployment have coincided with lower labour demand. So, demand for labour seems to constitute a major determinant

of unemployment. In 1978 the demand for labour and unemployment rose at the same time. Grimes thinks this is an indication that supply conditions in that year offset any fall in unemployment that would have resulted from the improvement in labour demand conditions.

The model shows a strong relationship between wages and migration to Australia, revealing that our wage policies may not work as well as anticipated because of the influence on emigration. When unemployment rises, there is a large possibility that emigration will also rise, but relative wages have a smaller influence on immigration patterns.

Grimes' paper is far too complex to do justice to in this short article. Suffice to say that it is required reading for those interested in the causes of unemployment and in the influence of earnings on employment.

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## Checking accounts disrupting analysis

FINANCIAL innovations are disrupting American money supply statistics, making it difficult for financial experts to make meaningful interpretations.

Since the beginning of the year, banks and savings institutions have been offering new interest-bearing checking accounts called negotiated orders of withdrawal ("NOW" accounts).

In recent weeks, "NOW" accounts have soared \$16,000 million. At the same time, the basic measures of the money supply have alternately leapt

and plummeted, creating uncertainty among analysts about the direction in which the economy is moving, or whether the erratic money supply movements are simply a shift of funds from traditional checking and savings accounts into the "NOW" accounts.

According to the Federal Reserve, for the week ending January 14, M-1A - which includes currency plus demand deposits at commercial banks - fell \$8700 million while M-1B fell \$2300 million.

M-1B includes M-1A plus

other deposits similar to checking accounts, including the new "NOW" accounts.

The previous week, M-1B grew by \$12,000 million and M-1A rose by \$2400 million.

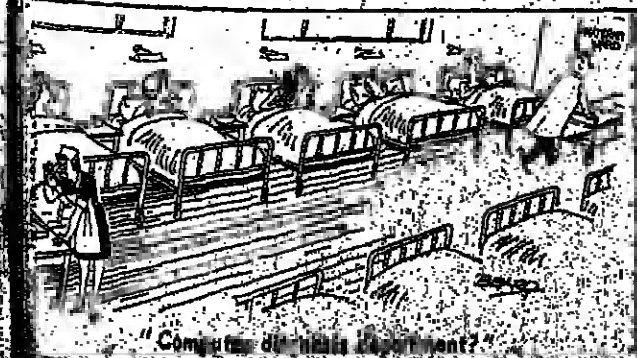
"Very large shifts of funds into interest-bearing checking accounts have been evident in early January and have distorted monetary statistics," the Federal Reserve said on January 23.

"Because of the irregularity of deposit and other flows, it will take some time to assess the impact of these movements."

Despite the erratic weekly movements, the overall growth in the money supply in recent months has been relatively flat, suggesting to some analysts that renewed sluggishness is ahead for the economy.

M-1B is at about the same level as last November.

But even without an economic slowdown, credit demand will weaken in the first quarter of the year as households pay off accumulated debt from the Christmas season, the analysts say.





## O'Brien on business

## The vain gain another chance to dwell in glory

UPSTAGED again, and this time by an "intellectual". There I was, having a wee bask in the knowledge that the International Biographical Centre, Cambridge, England, considered I was a "contemporary achiever" after suggesting an entry in the *Who's Who in the Commonwealth* (NBR, January 19).

A professional gentleman sent documents to NBR from the same organisation, relating to *The International Who's Who of Intellectuals - Vol IV* (no names, but if he is classified as an intellectual, we have had a brain drain).

This publication is high-class. The volume will consist of a "maximum of 2500 entries each running to 550 words with no abbreviations and each occupying a half-page of this important work".

Apparently the first three

volumes have "honoured" more than 7000 men and women, so the new volume will bring the total to nearly 10,000.

But it is a first come, first served deal. You get a numbered "invitation", and if you answer "no" to the invitation, then your name is deleted and the invitation passed to another person.

The deal seems very attractive to intellectuals. In special cases, those already listed in the book are invited to update their biographies in later volumes.

If you accept the invitation, "you will be asked to write your own biography or to get someone else to do it for you". Now, that is a great scheme; we all know the problem intellectuals have in putting words on paper, which accounts for the incomprehensibility of many of their publications.

PETER VO'BRIEN comments on the financial and business week, appraises the share market and analyses the company accounts.

In the event that you or some mate is unable to communicate in the written word, never mind. "Our skilled editors will send you a simple questionnaire and they will write your biography for you, sending you a typescript for correction, of course."

"Every biographee, as of right and without charge, will receive a fine Certificate of Inclusion in the *International Who's Who of Intellectuals*, printed on parchment, hand lettered by a noted calligrapher, signed by two authorised officers of the International Biographical Centre, and officially sealed."

"This certificate is highly

suitable for framing and hanging on a wall in home or office. Additional copies of the certificate will be available for a nominal charge should they be required."

There you are; a nice certificate to prove to the doubting that you are a fully qualified intellectual, and there are plenty of "intellectuals" musing their way round the country who need some form of identification.

As a natural result of inclusion in the book, you get the right to subscribe for a copy (copies), either the standard edition (craft bound in cloth) or the luxury edition (bound in real leather, with gold emb-



Cambridge... Intellectuals Who's Who.

ishments and name embossed on the front cover in gold; all leaves edged in gold.

The prices are \$US85 and \$US165, respectively, and if you pay in full on the order you get 10 per cent discount. Just the special deal intellectuals are always looking for in these days of crass materialism.

The order form includes a space for American Express cardholders. Since the only credit card mentioned in *Amex*, this seems a good opportunity for the local franchise holder, South Pacific Credit Card Ltd.

to drum up some more business after sowing through the various university staff lists and other sources of information on the nation's lurking intellectuals.

As a final come-on, the centre has a nepotistic scheme to dangle before the nation's intellectuals:

"Through the years, the International Biographical Centre has found that biographees have wished to recommend friends, relatives and associates as being suitable for inclusion in other reference lists published by the centre."

"We particularly encourage you to nominate young people, under the age of 30, for biographical inclusion in a new title *International Youth in Achievement*. You are invited to list below (on a form provided) those you feel may qualify."

That seems a bit strange, because all the documentation from this organisation emphasises the level of their research. The information ("out of more than a quarter of a million active biographical reference files at the International Biographical Centre") and so on.

Or is the whole operation, in its various publications, pre-dering to individual vanity?

## In course of hiccoughs

THE sharemarket eased a little in the early part of last week, but at the time NBR went to press there was no discernible trend.

A reaction to rapid price rises was inevitable, because at every stage in a market rise or fall there is a point where some investors will realise their percentage gains (or losses), and the buyers outnumber the sellers, or vice versa.

The market resumes its general trend when the hiccoughs are out of the way.

Three weeks ago (NBR, January 26), a list of companies was given here with the comment that they might be worth a punt, because they were all priced below \$1, and that allowed a good percentage gain on a rise of only a few cents.

Some of the stocks were checked as "duds", in terms of their earnings record and market status, but others appeared to be useful for recovery or potential takeover.

Interesting price movements occurred between January 26 and February 8, a period of five trading weeks, less Wellington.

"Tance Textiles went from 90 cents to 96 cents, a jump of 6.66 per cent in five trading days. The company was re-animated in general terms in NBR of February 2.

City Realities came out with a 51 per cent increase in half year profit and a rise in the interim dividend. It is difficult to relate a 1 per cent share dividend when the latter is described as an increase, because the market is used to par values of 50 cents or \$1, while City Realities shares have a 10 cents par value.

The share price moved up 2 cents in the five trading days including the 1 cent dividend, but since the end of 1980 the percentage gain has been 20 per cent, again including the interim dividend.

## O'Brien on business

## Analysing annual accounts: Colyer Watson

TRADING in animal commodities is a tough business. The annual report of Colyer Watson Holdings Ltd makes it even tougher for the shareholder to understand, because the company consistently refuses to give detailed financial information on its trading performance.

The profit and loss account for the year ended October 1, 1980 tells the reader that group turnover was \$65 million, compared with \$53.9 million in the previous nine months accounting period.

The next entry is "group operating profit (loss) after tax", a loss of \$1,077,000 as against a profit of \$602,000 in the nine months to October 1, 1979.

That figure is reached after deducting the expenses required to be disclosed under the provisions of the Companies Act, (which include auditors fees, directors fees, interest costs, depreciation and rent and leasing charges), and setting out dividends and interest received.

A note to the accounts says that "the group is entitled to a tax credit earned from the export of manufactured goods and this is reflected in the group's operating profit."

There is no statement of the costs of running the business, making it impossible to assess the comments of chairman Cliff Pearce when he says: "It has been cold comfort to see these sometimes dire predictions more than borne out by events of the disastrous market and trading conditions through which we have come in the year under review."

If we saw the movements in "costs of materials", (in the broad sense, because Colyer Watson is both a commodity trader and a manufacturer) and in wages and other expenses in relation to the level of sales between the two periods, a better appreciation of those "disastrous" market and trading conditions" could be obtained.

Then we come to that "tax credit". I commented on this in a review of the accounts (NBR February 11, 1980), and received a special mention at the annual meeting in the form of a reference to some commentators (yes, folks, in the plural, which is flattering) who had criticised the non-disclosure.

Pearce argued that the tax credit was built into the costing system of Colyer Watson. We

argued that one out last year, and I still believe that the statement was a dangerous one, in view of the ongoing discussion about export tax incentives, particularly in the light of the Delta Plastics' ear-tag affair in the United States.

The company has a different view, and there is little sense in continuing the argument again this year.

Let us accept that it is built into the costing of production. In that case a statement of the costs of production (expenses) could make an allowance in a note for the amount of the tax credit.

Otherwise we are left with no idea of the company's true operating profit or loss in the absence of export incentive tax credits, or if the system changes. The system will change in the financial year,

commencing April 1, 1983, and we can fairly ask what the company will do then in its accounts.

If the new incentive system is more or less than that obtained in dollar terms under the present scheme, how do we assess the annual accounts on a comparative basis?

This point is also relevant to the balance sheet, because the amount owing from Inland Revenue is included in accounts receivable. That item totalled \$5,919,000 compared with \$6,665,000 in the previous nine months.

Given Colyer Watson's sizeable turnover, although manufactured exports form a small proportion of the total, it is reasonable to assume that the tax credit is a far part of the \$5,919,000 (and if it is only a

small part, that is another reason for the company telling us the amount).

Colyer Watson's relationship between current assets and current liabilities deteriorated during the year, for obvious reasons, related to the difficult trading conditions.

While this relationship is struck at 5pm on a particular night, and is made up of various items which have different levels of security in the form of current assets (you may not be able to realise the stock; there may be an increase in bad debts and so on), it is clear that an amount payable by the New Zealand Government under a statutory obligation is a solid debt.

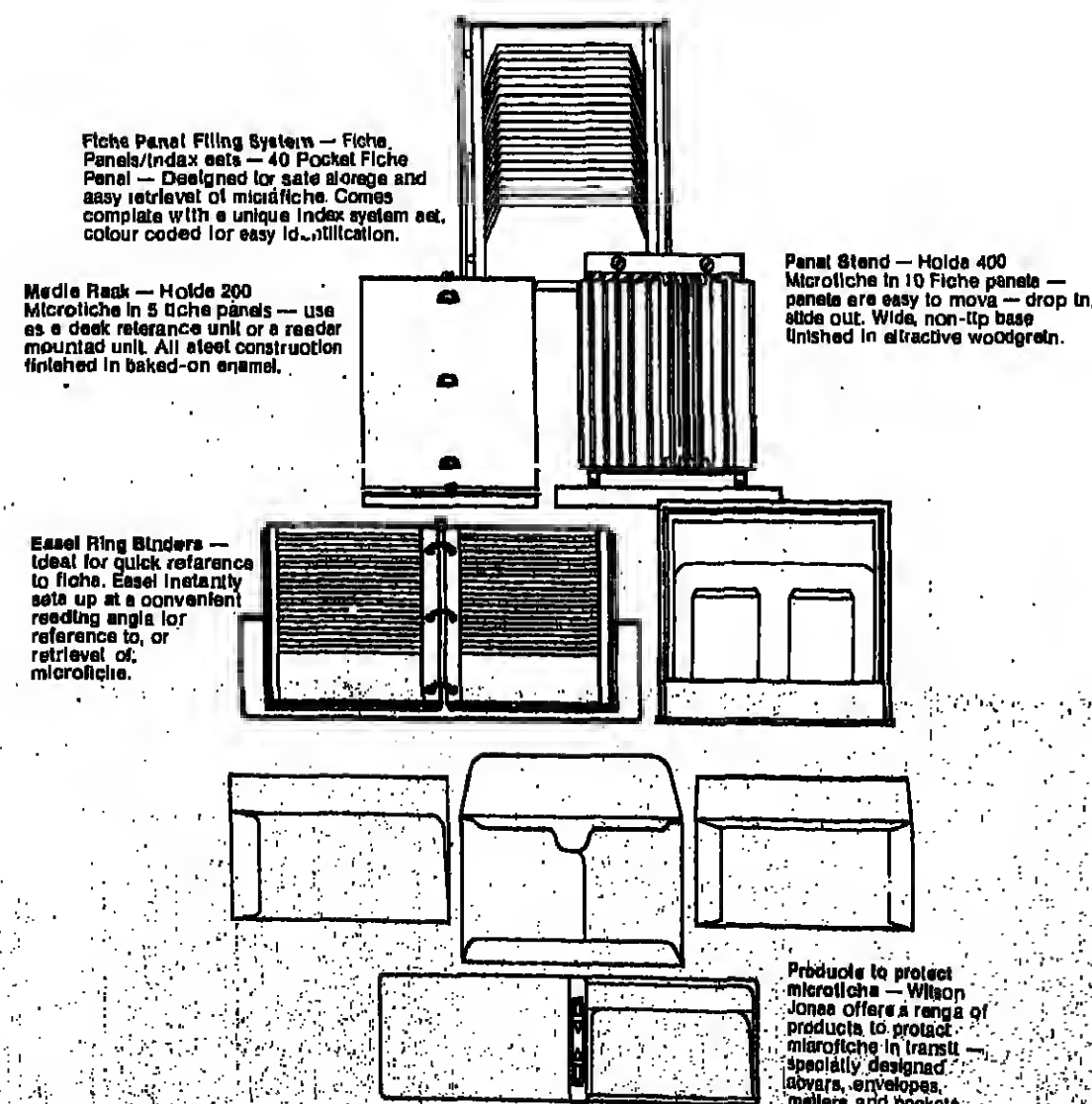
But, if that debt is lumped together with trade debtors,

with no attempt to isolate the amount, how can an outsider analyse Colyer Watson's working capital strength?

A similar point arises in the accounts payable section of the report. This item went from \$3,782,000 in 1980 to \$10,344,000 on October 1, 1981, while bank overdraft went down \$2,463,000 to \$7,445,000. The company may have increased overdraft on the next payment day by reducing accounts receivable, but there is no explanation, even a simple one, of what happened in this area during the year. NBR lands on corporate desks on the morning of Colyer Watson's annual meeting, so perhaps the chairman's address could be amended to include some mention of these points. We will publicise the answers next week, if they are available.

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Ballins Industries went from 90 cents to 96 cents, a movement of 6.66 per cent, but there are so many rumours in the market about that company, including the theory that Lion Breweries may decide to make an offer for the Christchurch-based group, that there could be as many reasons for buying interest as there are investors.

Among others on the January 26 list, Neil Holdings is still attracting interest. The price went from 53 to 60 cents, a percentage gain of 13.2 per cent. The shares were being "given away" a few months ago in the 30s, and there has been little fundamental change to the housebuilding industry in the intervening period.

Since the company passed last year's dividend, and earned a minuscule profit, there seems to be only two possible reasons for the continuing investor interest.

The first is the view that there is "nowhere to go but up", and if one buys a share at, say 35 cents, there is little downside risk. The second relates to the extraordinary number of merger theories feeding the market these days.

Neil's climb started after the Fletcher Challenge merger was announced, in line with every company associated with timber, building, and builders supplies.

But it continued after the strong market movement between October 22 and the end of 1980.

Capital appreciation of 13.2 per cent in nine days up to the second week of February was ahead of the market.

I have no idea whether anyone has eyes on Neil, but there is little chance of housebuilding picking up until at least the end of this year, and possibly later.

Assuming someone wanted to buy into the ex-darling of the sharemarket, Neil appears a safer bet for a market rally.



House building... won't pick up till end of year.

backing, and, with the exception of one large shareholding in an estate, the scrip is widely held.

Institutions have a solid percentage, probably a hangover from the days when Neil was top dog on the sharemarket, with an 80 per cent earning rate, regular dividend increases and a share price in the stratosphere.

Few investment managers want to realise large capital gains, but they may be prepared to sell out above the present price and reduce the book loss.

Any one company with a share price about one-third of asset backing is vulnerable, even if it is operating in a depressed industry.

Apart from the unwelcome intruder, there is always the possibility of a friendly deal being worked out with other companies. I have no evidence that anything is happening, but the share price rose on reasonable turnover, so some investors are having a punt. Their punting instinct has worked out favourably, even for those who bought at the end of January.

When "investment in the country's future" is removed from the philosophy of equity investment, that is what buying shares is all about.

Note: The writer neither owns, nor has a beneficial interest in any of the securities discussed here.



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# Contracting the Clyde alarms hydro workers

by Ann Taylor

APRECEDENT that may lead to the running down of Ministry of Works and Development construction and design teams has been set by the Government's decision to allow private contractors to tender for the construction of the controversial Clyde dam.

The PSA and Workers Union maintain the "political" decision has no apparent cost-benefit and threatens the tenure, team-nature, collective technological knowledge and lifestyle of members who have followed the hydro projects.

PSA members at the Twizel and Cromwell sites last week asked CSU president David Thorpe to try to persuade the Cabinet Works Committee to change the decision.

Thorpe met with Works Minister Bill Young three weeks ago but was given no assurance that the decision

would be reviewed.

Young, described as the "meat between the sandwich" by one of the parties to the meeting, is said to have been advancing a case for his department while keeping in line with the Cabinet decision.

Young gave three key reasons for the decision:

- The Government's private enterprise policy;
- Pressure on government by the Contractors Federation;
- The need to build local expertise as a basis for winning overseas contracts.

The decision indicates a new confidence in private contractors to undertake the work more cheaply than the MOWD.

Speaking at the ceremony to mark the completion of the Moawhanga tunnel at the Tongariro power scheme in December 1979, Prime Minister Robert Muldoon said there was no way of proving that work on

major hydro projects could be done more cheaply by private enterprise "unless contract and government-employed manpower started work on the same job, with the same resources at the same time".

He said the Government was in the position of a marriage guidance counsellor "being advised that the only solution is to shoot one of the partners". "It has no intention of doing that," he declared.

Workers' Union general secretary, Dan Duggan, has accused Young of "rattling" on his own work force. He predicts a fast change in attitudes by his union's members — the MOWD wage workers.

The 140 workers employed on the Clyde site and those on the Twizel camp who expect to move to the Clyde project will be forced to relinquish their careers with the MOWD and the concomitant housing,

social, retirement and long-service benefits.

Duggan protests that the "loyal, stable" work force that has followed the hydro works, and who expected another 20 to 25 years' employment has been "kicked in the guts".

"The team nature generated over the years will be broken by the private contractors, who will only employ workers for the duration of a project," he claims.

Thirty per cent of wage workers on MOWD construction sites have been with the ministry for five years or more. Supervisory staff are developed from this force.

About 25 per cent of the "mechanical" quarter of the construction workers are apprentices. Private contractors could not support this number of relatively unproductive workers, according to MOWD sources.

Contractors Federation president Tony Mills says the Government has thrown a real challenge. "They are saying 'here's your chance to show you can do it'."

Mills insists he is well aware of the problems associated with the MOWD workers and says: "Whoever does the job we still need the labour."

Mills argues that local contractors must establish a track record and a sound domestic base before they can export expertise. And the overseas participation that he sees as inevitable on the Clyde site must be "on the basis of joint ventures with the local partner having the major share".

On the Clyde dam there will be no more than a dozen people coming in from overseas.

The technical expertise, available internationally would thus be transferred to the local construction industry.

The industry's claims that private contractors would reduce costs by 30 per cent were based on exercises in Australia, America and Britain, Mills said. "There has not been a similar exercise here."

The irony is that local contractors — apart from the likely contenders to a consortium, Downers, Fletcher Construction, McConnell Dowell and Wilkins Davies — could not afford to tender.

Fletcher's approach to project work "would seem the most realistic", according to a MOWD source who suggested that Codella, responsible for part of the Tongariro project, might supply the "overseas" expertise.

Downers was involved in the last major hydro project which went to private enterprise.

A National Government in the late 1950s, following similar private enterprise principles, committed the

Roxburgh dam and power house first to a British company, Cubitts. That dam, also on the Clyde, has a similar configuration to the Clyde project.

Because of the company's inadequate hydro experience, the Government required that it find an experienced partner. The result was a British-Swiss consortium of Cubitts-Zschokke.

Management and construction difficulties between the two delayed the work two years and the consortium ultimately asked to be relieved of the work.

To avert total disaster — particularly between the overseas management and the New Zealand work force on the site — the Government was forced to accept a revised consortium which included Downers in the aluminium management position.

Since then, increasing portions of the MOWD-New Zealand Electricity hydro projects have been subcontracted to private contractors. But the overall design and management has remained in the hands of the MOWD.

The generation of exportable expertise is no panacea for the workers on the site, where wages are too high to compete with, say, Thai and Malaysian labour which might be employed on projects involving local expertise.

The MOWD, NHR was told, has gone ahead and planned the job completely — cranes, fencing, plant and cableways. Contractors are therefore being asked to be "materials handlers".

And Duggan questions how much of the limited expertise will be generated given that the overall control and design of the project remains with the MOWD.

# Southland dispute: snowballing could cut returns

MEAT Industry officials are apprehensively watching developments in a slaughtermen's dispute in Southland which could have rolling effects and reduce returns for the farmer.

Settlement on the union's terms would threaten to result in slaughtermen throughout the country claiming an extra \$30 a week.

The dispute is at the Alliance Freezing Company's works at Lorneville, near Invercargill, where slaughtermen went on strike on January 29 for an extra \$6 a day.

Their claim is based on a differential that neighbouring Ocean Beach slaughtermen get, which is regarded as a location allowance. Ocean Beach, near Bluff, is about 24 kilometres from Invercargill. The Alliance works is six kilometres away.

The dispute has been brew-

ing for some time, and its potential to add to processing costs is recognised by Labour Minister, Jim Bolger.

Four years ago, the Ocean Beach Freezing Company started paying its workers a productivity bonus which resulted in wages there leaping ahead of those in other works.

The differences paid to slaughtermen at the various works led to considerable industrial trouble, mainly in 1978, the year of the infamous Ocean Beach prosecutions debate and the controversial sheep-slaughtering protest by farmers in Invercargill.

Before that, the then Labour Minister, Peter Gordon, called a compulsory conference, chaired by industrial mediator Walter Grills, to try to sort out slaughtermen's wages in Southland.

Grills was ordered

specifically to sort out whether the Ocean Beach works should be paid the differential as a location allowance. The works said it was having difficulty getting employees.

After more than a year of study, Grills ruled that they could be paid an additional \$6 a day. He was confirming what the Industrial Commission had already ruled — that the payment was acceptable.

Alliance slaughtermen never accepted the Grills decision. And the fact that their Ocean Beach counterparts were receiving an extra \$30 gross a week has rankled since that time.

Alliance unionists say an allowance for Ocean Beach on a location basis is no longer warranted, anyway, because it is fully staffed.

Last month, they went on strike and decided not to return



Jim Bolger... worried about long-term effects.

to work until they got the \$6 a day payment as well.

But not before Bolger had flown to Invercargill to discuss the issue with Alliance management and the union. He left with the issue unresolved.

Alliance management has indicated it is willing to pay some sort of productivity bonus

if the men will agree to the company operating its seventh chain. It has been installed for some years, but the slaughtermen will not allow it to begin operating.

Ocean Beach management and the Meat Workers Union sub-branch there are emphatic that they have an agreement to pay \$6 a day more than any other works in Southland.

Both parties agree that if the Alliance gives its men what they want, they will have to receive a further \$6 a day.

The spiral will therefore start again, spreading to all four Southland works and, all parties agree, out of the province as well. It would not be long before slaughtermen at every works in the country would be seeking at least an additional \$30 a week.

That would inevitably be passed on to the farmer, who is already receiving far less than the \$20 a lamb that Agriculture Minister Duncan MacIntyre hoped for earlier in the season. Should the Alliance pay up, the cost of processing each lamb will go up by 35 cents at least.

Until now, works seasons, since the disastrous one in 1977/78, have been good, with near-record kills.

But there is a drought in Northern Southland and farmers are wanting their stock killed. So far, the other three Southland works have kept up with demand, but they are unlikely to cope for much longer.

The long-term effects, if Alliance gives in, are particularly worrying Bolger, the Government and the industry. The company, which ironically only recently turned itself into a farmer's co-operative would also face criticism from its shareholders.

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# Advisers avoid critical cross-checks

by Warren Berryman

PART and parcel to the concept of ministerial responsibility is the assumption that civil servants will advise their minister well. This assumption may not always be well founded in New Zealand.

Some years ago the Ministry of Agriculture and Fisheries passed a regulation outlawing commercial diving for crayfish. There were, at the time, some 50 licensed crayfish divers whose means of livelihood was out-lawed by a stroke of the bureaucratic pen.

This was delegated legislation, a change in a regulation. There was no need to have the law go before Parliament for debate.

The ministry's fisheries management division was under pressure from big fishing lobby groups to get rid of the divers. The divers had no formal association.

But a group of Wellington divers took the matter to the Statutes Revision Committee and succeeded in having the law revoked.

When announcing the new legislation, the Fisheries Minister said the ban on divers was a conservation measure.

But the diver's group discovered that fisheries scientists employed by the ministry had not been consulted on the matter. The submissions presented to the Statutes Revision Committee by the divers were compiled mostly from information that was in fact gathered originally by the ministry's own scientists.

Scientific evidence showed the huge waste of crayfish caught in craypots and supported a case that diving, with its selective harvesting was the best way of conserving this resource.

In short, the divers' group played the scientific section of the ministry off against the management section.

The divers' argued that the Minister had been misled, or at least had not been given all the facts, by his own civil servants. They said the ban was not what he purported it to be, but was instead an unfair infringement on their rights and liberties.

Had the ministry's fisheries scientists chosen to withhold information from the divers, under the Official Secrets Act, the Minister may never have received the benefit of scientific advice, and a small economic unit, the crayfish divers, would have been legislated out of existence on a false assumption.

(The bureaucrats at the ministry's management division were far from happy about having their regulation reversed by the Statutes Revision Committee. Divers have since gone to the Ombudsman with allegations of harassment by marine inspectors. The fee for a crayfish diving licence was increased from \$10 to \$100. Only one licensed crayfish diver is still operating.)

Crayfish divers, being a small group, are relatively unimportant.

But any economic group subject to regulation can be subjected to the same sort of delegated regulation which materially affects its business.

While all the decision-making leading up to delegated legislation is secret, while delegated legislation is not discussed in open parliamentary session, the suspicion must remain that the Minister may

THIS is part of a series in which Warren Berryman considers the American Freedom of Information and Privacy Acts in theory and in practice and compares the United States system with our own.

have been ill-advised or misled, and the reasons he gives for passing the regulation may not be the real reasons.

Those materially affected by a new regulation have no access to the data on which the decision was based. Thus they are in no position to argue the decision.

Secrecy can also perpetuate the "emperor with no clothes syndrome", whereby ministers are assumed to have good reasons for their actions (albeit secret ones) when no such reasons exist. The secret report guiding a ministerial decision may be a myth or it may contain lies, false assumptions, or methodological garbage. There is no publicly available evidence to support a contrary view.

Novia Scotia tried to create an appeal authority consistent with the principle of ministerial responsibility by directing appeals for denied information first to the departmental head and then to the minister.

This was intended to preserve ministerial responsibility to the legislature. An appeal to the courts (open to the public) and an independent judiciary was rejected, because it was thought to interfere with ministerial responsibility.

But critics pointed out that the departmental head would be guided by his minister. And when the appeal eventually went to the minister, he would be acting as judge in his own case.

The argument that an appeal to the courts would interfere with ministerial responsibility is largely spurious. Such an open appeal to an independent judiciary would increase, not diminish, the Minister's responsibility to Parliament because it would prevent him from concealing information for his own personal political advantage.

Former Ombudsman Sir Guy Powles made this point in his leaflet, *Freedom of information and the state*. Sir Guy's argument closely paraphrased the opinions of Professor Donald Rowat of Ottawa.

Labour MP Geoff Palmer, when announcing Labour's intention to scrap the Official Secrets Act and introduce a freedom of information act, said appeals should be handled by the Ombudsman, not the courts.

Palmer said American experience with freedom of information cases showed appeal litigation to be both time-consuming and expensive. He said he did not wish access to appeals for withheld information to be restricted to wealthy corporations which could afford the legal bills and be denied to individuals who could not.

As to the independence of the Ombudsman, Palmer pointed out that the Ombudsman was appointed by Parliament as a whole — not by the ruling party alone.

Palmer's plumping for the Ombudsman as statutory authority in freedom of information cases did not go unopposed by others in the open government movement who put more faith in an independent judiciary.

The office of Ombudsman is a relatively new institution in New Zealand. The Ombuds-

won out over past misconceptions about the costs or benefits of secrecy.

The Ombudsman Act 1975 (sections 10 and 21) binds the Ombudsman (as it binds any other government servant) to the Official Secrets Act 1951.

Section 21 of this Act prohibits the Ombudsman specifically from disclosing information "that might prejudice the security, defence, or international relations (including New Zealand's relations with the Government of any country or with any international organisation) or the investigation of detection of offences, or that might involve the disclosure of the deliberations of Cabinet."

Only 15 years old, the American Freedom of Information Act had undergone significant modification in its practical application — particularly in regard to questions of what sort of information should remain secret.

Adversarial argument in open court has prevented the American law from becoming ossified in the terms and circumstances within which it was enacted and has allowed for change when rational argument

change when rational argument

hudsman the right to information if giving information would be in breach of the "obligation of secrecy or non-disclosure."

Section 21 gives the Attorney-General powers to stop disclosure of information to the Ombudsman if he considers it prejudicial to the interests of security, defence, or international relations with foreign governments or international organisations, the deliberations of Cabinet or committees of Cabinet.

In short, should the Ombudsman ever be required to investigate a Watergate-type scandal, or international bribery in one of our big energy projects, he could not, in terms of his Act, get to first base.

After amending the Ombudsman Act, the Ombudsman may come to play a similar role to the American courts should a freedom of information act be passed here.

Section 19 denies the Om-



Geoff Palmer ... plumps for Ombudsman.

Palmer suggested that an adversarial argument might be carried out through the Ombudsman's office in the form of written submissions from opposing parties.

While such an argument lacks the social drama and public following of an open court hearing, it may be cheaper and quicker.

# Cabinet gives substance to private enterprise role

by Warren Mayne

FIRST moves out in the open have been taken toward private television the way the *New Zealand Herald* no doubt would like it.

Last month's off-hand announcement by Prime Minister Rob Muldoon that Cabinet had considered and approved a report on leasing out unused morning time on Television New Zealand's Network Two gave some substance to leaked reports of a far bigger future role for private enterprise in television.

Over recent weeks speculation — some leading back to former Broadcasting Minister Hugh Templeton's inner circles — has had it that the Government and *Herald* publisher Michael Horton's three-company regional TV grouping would this year get a firm go-ahead for an eventual third

network.

The inside word has been that agreement in principle would be reached around June. And in Auckland there are strong indications that *Herald* publishers Wilson and Horton, through their Northern Television Ltd subsidiary, would start appointing key staff around April.

*Herald* executive Graeme Douglas has already been put in charge of the television operation — (a position similar to that of Michael Wall in the rival Radio Hauraki-ITL-New Zealand News grouping, Alternative Television Network.)

But the top-level election-year approval for the Broadcasting Corporation to call tenders for private leasing of the unused 9am to 2pm period daily on Two had one strikingly unusual feature.

The news came from the

Beehive — with the corporation confronting later that calling tenders would be a definite item on the agenda of this month's board meeting.

Muldoon talked of a report before Cabinet, presumably one solicited from the corporation, which has not officially met since early December. And at that time the BCNZ gave no indication that it was seriously considering such a major decision, on its own initiative at least.

The ATN group, following up quickly in the wake of Muldoon's announcement, parried with the news that it was formally involving Britain's biggest commercial television company, Thames Television, as a 5 to 10 per cent shareholder in its venture.

And Wall observed that ATN — the contender seemingly out of favour with the

Government, or at least with Templeton — was the only candidate with the production facilities to originate programmes.

This is, of course, the New Zealand News-owned Vid Con Ltd complex in Auckland. But the Horton interests have plans to build their own production complex in the Penrose-Pakuranga area — a virtual prerequisite for a successful tender for morning TV.

TVNZ executives seem resigned to the prospect that either the planned Horton complex, or alternatively even ATN's existing Vid Con studios, could put the stopper on the BCNZ's own hopes of getting new TV facilities in Auckland.

The old South Pacific Television's dream of its own mini-Avalon at Tank Farm on the North Shore died with its

merger into the present TVNZ but, with the extra demands on Auckland now it is organisationally head office for TVNZ, there are urgent needs for better production facilities there.

Current thinking has been to expand on existing support facilities in Target Road, but now there are suspicions that the Government could require TVNZ instead to hire facilities from the private TV group that wins the TV Two morning transmission lease.

Judging from official reactions to Horton's long-term proposals for a third television network, against the tepid response to the ATN ambition of taking over the present Network Two from TVNZ, the odds must favour Horton.

Certainly, the third channel option must be the lesser of two evils for a financially tight TVNZ. For one thing the technical logistics of setting it up, even in the Auckland-Waikato region where it is likely to confine its initial operations, make it a prospect definitely three years or so in the future.

By contrast, should ATN have won the Beehive's favour, a transfer of the basic Network Two operation (transmitters and network links) would have been a much more innocuous threat, leaving TVNZ with only half its current advertising revenue-earning potential and twice the staff needed to run one single network.

All along, Horton's tactics in wooing the Government seems to have outflanked ATN. Though ostensibly second in the field, after ATN, the Auckland publisher's vague first statements of general intent strangely won far warmer response from Templeton than ATN's already well-advanced, well-packaged proposals.

But if Cabinet's thinking that private television on the existing system in off-hours as a stop-gap sop to the anti-state broadcasting lobby does not favour one contender over the other, it certainly leaves TVNZ with some embarrassing problems.

The choice of Network Two for extended transmission hours cuts across the TVNZ

planning last year concentrated on Network One.

TVNZ has already sought Broadcasting Tribunal approval to open One at 10.30am instead of noon, planning to fill the time with adult programme repeats ostensibly to compensate single-channel viewers condemned to children's fare on One in the afternoons.

But TVNZ is morally committed at least to the notion of pushing back One's hours even further, to 9am, for "the social good".

This, in effect, means 1½ hours of educational programming, whether aimed for school use or simply for adult-at-home self-betterment or specifics such as job retraining and the like.

Worthy this might well be, but decidedly unprofitable. The only way TVNZ could turn some cash on extending One back into the mornings for "public service" programming would be to take the extra leap — back another two hours into breakfast, starting with news, magazine or variety fare around 7am.

Last year it called for feasibility studies — and even though technically feasible, breakfast TV has financial and other pitfalls for TVNZ.

To make such a venture economically worthwhile, specially also to recoup costs spent on educational television, TVNZ would have to win advertising away from commercial radio.

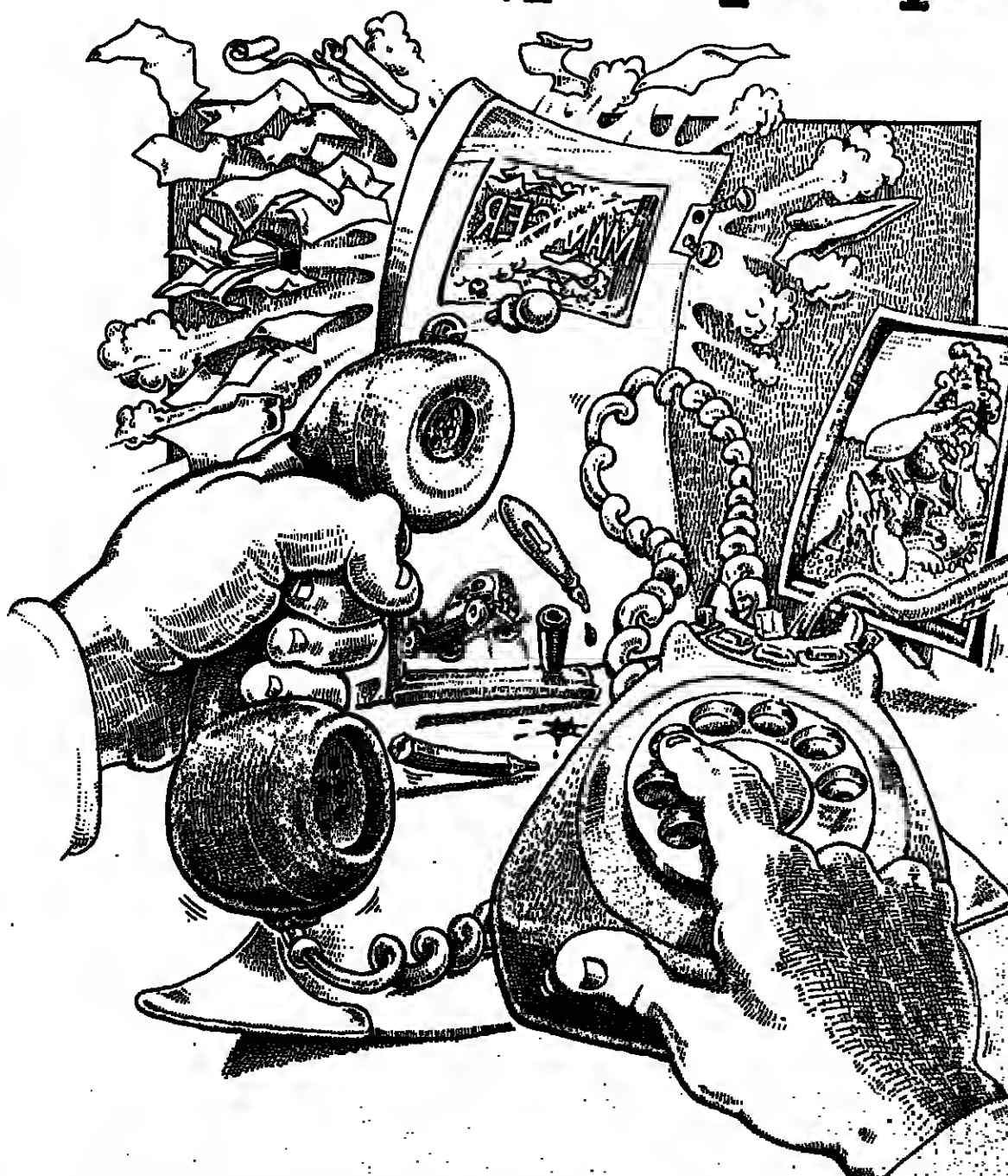
While the notion of depleting private radio offers does not obviously displease the BCNZ, the effects on Radio New Zealand's "comnet" and ZM operations are another matter.

Besides, there is the problem of changing New Zealanders' living habits, in a country with no tradition of a second, black and white portable television set in the breakfast area of the house.

Both private contenders are even privately dubious about the profits to be made from 9am to 2pm leasing, but are resigned to this as the first means to the eventual end of getting control of profitable prime-time night-time television.

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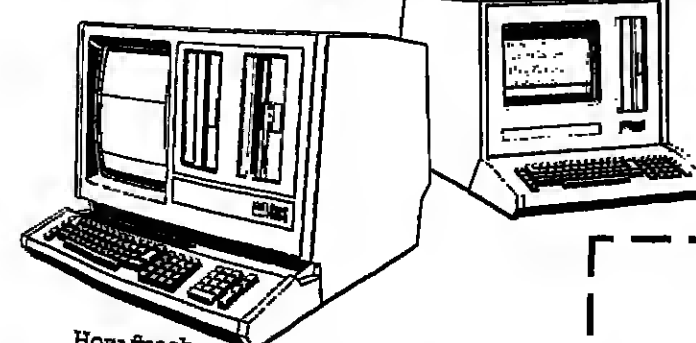
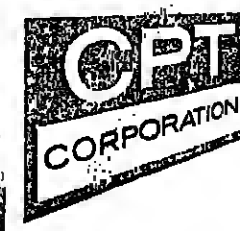
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# The corporate dilemma: a guide to advertising

by Grev Wiggs

THE Clemenger Network of advertising agencies has, for several years, produced a research report of community interest annually.

The 1980 report *The Corporate Dilemma* is intended to reflect Clemenger's experience and the analysis of current practice in corporate communications and, to provide corporate communicators with guidelines for action.

The heart of the problem for which the booklet seeks to find solutions is contained in the following extract: "The majority of senior executives are, almost inevitably, out of touch

with the opinions, prejudices, criticisms, needs and values of the general public.

"They are usually surrounded during the working day by people who generally reinforce their own perceptions of the outside world and these perceptions rarely yield to public pressure. Thus their decisions are frequently based on incomplete information."

But today, the report points out, the actions of the business community are increasingly attracting the interest of the community at large, and, in particular, the activists, the Government and the media.

Business must learn how to respond to this situation.

Public opinion on various issues undergoes a continuous change so it is important for the businessman to understand how it is formed.

There is a useful section on public opinion polls and sources of possible error.

Opinion research can make an important contribution to corporate decision-making at a time when there is an increasing demand for information by the public and growing numbers of issues require the attention of corporate management.

"It should be possible to judge at an early stage which public demands belong in the lip-service category, reflecting a bandwagon effect or mere

social conformity, and which are destined to grow in importance and to gain real support."

In the study, respondents defined the attributes of a good company as one which makes good products and is honest in its dealings with the public and in advertising; offers a sound career path for its employees; encourages them to be innovative; provides good amenities; retraining people whose jobs are affected by technology and replaces staff when they leave; is environmentally conscious; active in the area of community service and has concern for people and communities; is mostly owned by Australians and makes a fair profit.

Australian corporate advertising in the mid-1970s focussed to a large degree on company profitability, size, technological leadership, stock market value and product development.

Clemengers foresee a change in publicly held values with "better" replacing "more" — a change from competition to co-operation, from the primacy of technical efficiency toward considerations of social justice and equity.

Business, goes the Clemenger argument, must now prepare itself to identify the nature of change and to meet the new qualitative expectations.

After researching the target audience the campaign goals should be set for corporate advertising which aims to create an understanding of, and respect for, the company. The nature of the communication task will begin to emerge when the gap between the public image of the company and the desired company image is perceived.

The report is emphatic that advertising alone cannot be effective.

"Corporate advertising should be part of a total corporate programme involving actions and communication. And corporate advertising should be seen as a long term investment."

"Attitudes are neither formed nor changed overnight. The most effective campaigns have been running for years and have been accepted by management as an investment in the future. Corporate advertising does not provide short-term answers to long-term threats."

An American study showed that 80 per cent of the 500 largest corporations in America engaged in some form of corporate advertising in 1979. "Some of it gave little more than a nice warm feeling to the people on the executive floor. But many of the corporate campaigns racked up impressive results."

A new role for corporate communication is "advocacy advertising" which tackles controversial issues, sometimes aggressively, in an attempt to win support for the company's point of view. But there are dangers in this form of advertising, an area of very sensitive communications, where it is impossible to sway the minds of committed opponents.

Practically everything in this booklet which refers to Australian attitudes on public issues is relevant to the local scene. The problems are similar. The anticipation of change in the social performance of business strikes a familiar note.

Clemengers have packed a great deal of useful fact, commentary and advice in this slim volume. It well repays study.

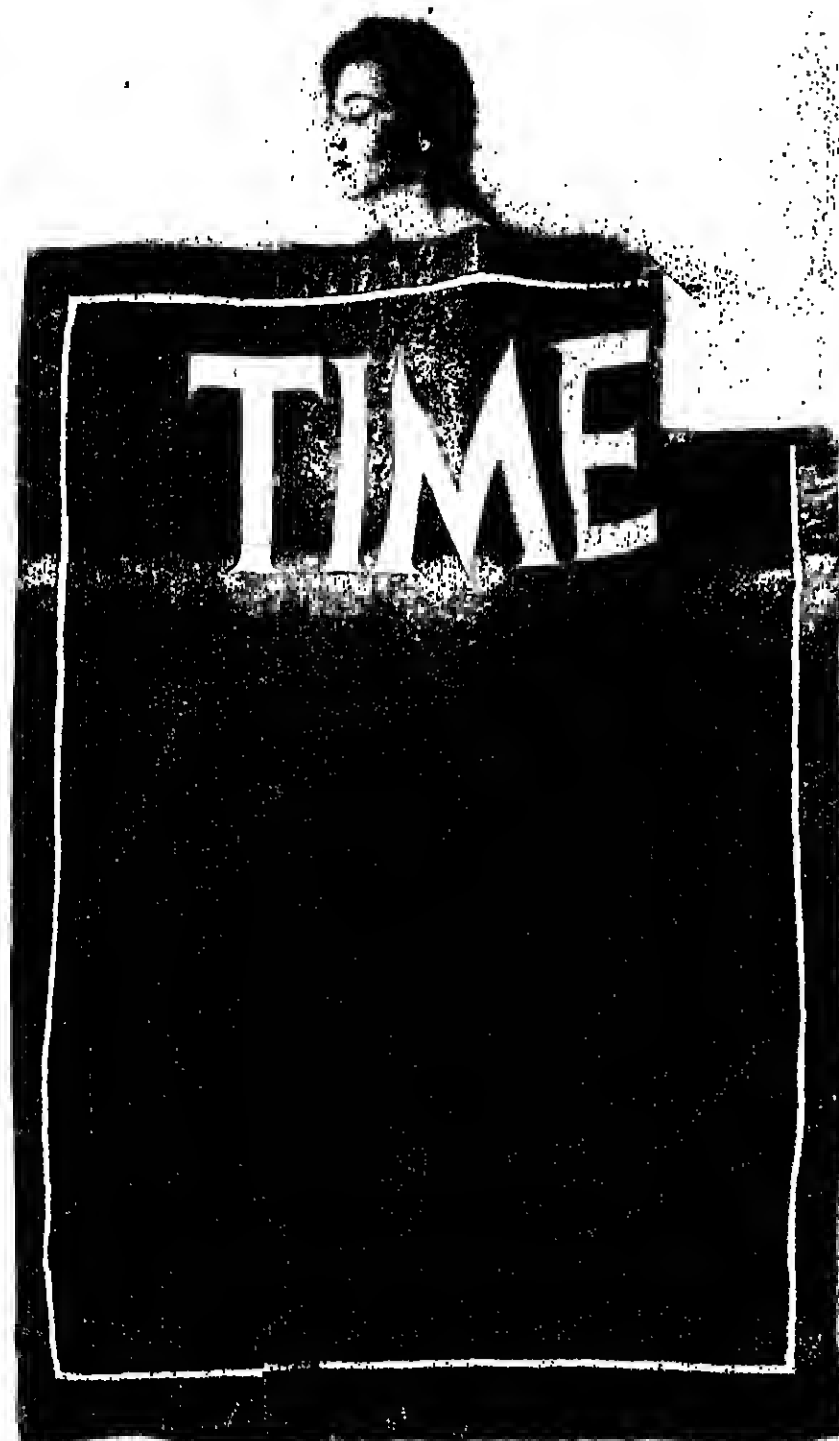
*The Corporate Dilemma*, a Clemenger Report, 66 pages, \$7.

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## TIME COVERS.

Which weekly news magazine has 22% women among its primary readers, and well qualified women at that? (Over 36% are professionals or managers.)

Which weekly news magazine has so many well-placed male primary readers? (31% are senior or middle managers and, 28% are professionals.)

And which weekly news magazine combines the highest circulation with such a quality audience? (And when we say quality we don't mean stuffy. 54% of TIME primary buyers are under 40.)

Survey of Time New Zealand primary readers by Erdos and Morgan, Aug-Oct, 1979.

## Schools respond to dept's hint

by Stephen Bell

RESPONDING to a none-too-subtle hint from the Education Department, schools have instituted a bulk purchasing arrangement for educational microcomputers.

In spite of the widespread use of small computers in schools, there has been a complete lack of national co-ordination over purchasing, said David Brown of Birkdale College, Auckland, initial co-ordinator of the scheme.

Benefits of bulk buying are considerable. Under the arrangement with David Reid Data Products, the schools will get 22.5 per cent discount on the central processors and 15 per cent on attached peripheral equipment, for orders of over \$30,000.

At current price levels for the average systems being installed in schools, this deadline could be reached with as few as 20 orders.

Client schools would have a short wait for machines, Brown said, but most would be prepared to put up with this in return for getting a machine substantially cheaper. There is only limited provision for Education Department funding in respect of computers and many schools have had to resort to special fund-raising efforts.

They tried to get the department to co-ordinate the bulk-buying arrangement, but it regarded the task as "too difficult".

Brown quotes Bevan Wherry, of the curriculum development unit as saying at a recent conference: "Bulk purchasing might best be carried out by a different body." "In the light of this, we have initiated this scheme", Brown said.

Enlarging on the snags of an Education Department scheme, deputy director-general Jim Ross said that it would have required selection of one particular range of computer equipment. This would imply a prolonged evaluation exercise, with any eye to future developments as well as currently available models.

If the range chosen were subsequently made obsolete by a competitor's development, the schools would revert to buying the new machine individually and setting up the scheme would have been a waste of time, Ross said.

The Birkdale scheme restricts participants to the Radio Shack TRS-80 range of small computers, headed by David Reid.

The TRS-80 was chosen not only because it is already the most widely used machine in schools, but because of the large range of ready-to-use programs available for the machines, the servicing back-up of David Reid and the fact that manufacturer Tandy Radio Shack ploughs back profits into further development, Brown said.

The scheme can only enhance the TRS-80's already pre-eminent position in the education marketplace, and is

likely to impact the sales of its chief rival, the Apple microcomputer, as well as Wellington Polytechnic's planned Polyway machine, funded by the Development Finance Corporation.

## Perennial staff problem

AUCKLAND consultancy Idaps will next month launch the latest attack on the perennial staff problem of the DP industry.

Superficially, the venture looks like just another programming course. But particular attention has been given to employer acceptance of the students who emerge.

Though the situation is improving, there is still a reluctance among computer users to accept trainees; they are believed to drag down the productivity of the organisation and occupy too much of the time of senior staff in supervision.

By establishing strong contacts with potential employers,

Idaps plans to have around 80 per cent of its trainees in a job by the time the course ends, said Doug Ruhen, manager of the project.

Already, he said, several major organisations have seen the value of the exercise and agreed to participate.

The load on supervisory personnel is eased by having an Idaps representative available to advise the student for the first month in employment beyond the two-month course.

The lowered productivity complaint is less easy to rebut, Ruhen admits, "but against this we point to the advantages of employing trainees; their malleability to the standards and practices of a certain installation".

The course itself will be a high-pressure eight-week session, using interactive terminals, which provide the students with immediate feedback on the success or errors of the programs they develop. By comparison, says Ruhen, most training establishments use slow "batch" processing, com-

putting students to a long wait for results.

A high staff to student ratio will help improve the efficiency of the course. Initial set-up, in Auckland, will use Ruhen and an assistant tutor, putting through eight or nine students at a time. Later, a second centre will be started, in Wellington.

The first course to be offered will be in Cobol programming, but later Idaps expects to add courses in systems analysis, computer operating and other subjects. Students will be encouraged to come back for further courses to upgrade their knowledge.

Students will be obtained by advertisement, by liaison with the Labour Department and, increasingly, by employer referral. Ruhen expects that a growing number of employers will find their own trainees first and then refer them to Idaps for training.

The important question of cost remains to be settled. It should cost about \$1250 to put a student through the course, said Ruhen. This cost will be split

between the student, the employer and, if suitable arrangements can be reached, the Labour Department.

Discussions are under way with a view to getting some kind of subsidy to defray the cost of the course and/or part of the trainee's salary.

Idaps does not expect the course to be "a big money spinner" in any case, says Ruhen. Its value would be rather in providing a much-needed service to the DP industry — a service with Idaps' name firmly attached to it.

Ruhen has experience in running this kind of course, having operated the Comedco training subsidiary of consultancy J P Scott. This venture, collapsed, not, he says, through lack of response, but through shortage of computer power.

## Bureau surveys change

Melbourne Correspondent  
THE Australian Bureau of Statistics has published the re-

sults of a survey on the nature and extent of technological change in private non-farm enterprises for the three years ending June 30 1979.

The survey of 1200 enterprises found that:

- 19 per cent of private non-farm enterprises and 29 per cent of manufacturing enterprises introduced technological change over the three-year period;

- 76 per cent of those enterprises employing more than 80 people introduced technological change;

- 76 per cent of enterprises introducing technological change considered that it had no effect on employment;

- 7 per cent of all enterprises and 16 per cent of enterprises employing more than 80 persons had retrenched employees as a result of such changes; and

- 10 per cent of all enterprises and 33 per cent of enterprises employing more than 80 persons recruited labour as a direct result of introducing technological change.

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## Insurance

## Universal retrenches in international scene

Continued from Page 1

on Universal's efforts to retrench, suggested it looked like "you've narrowly averted disaster," Ryan responded: "I think, Mr Berryman, you've summarised us very well indeed."

He also said: "If Universal were insolvent I would put it in liquidation tomorrow."

Universal is not the only insurance company to suffer losses in the premium-cutting war in fire and general insurance. But its competitors with a life insurance side can subsidise the services with profits from their life operations.

The 1979 accounts showed that more than half Universal's premium income was received in foreign currencies.

Universal's 1979 accounts contain a chairman's report by Ryan, outlining in glowing terms the company's move into international underwriting.

The company had a presence in Singapore and Hong Kong and was then setting up offices in London.

"We have become well known and respected for our proven abilities in the international reinsurance field both overseas and in New Zealand," Ryan reported.

The same report noted: "Although our base of operations is broad and stable, we have to become increasingly involved in our clients' business so that we can accurately determine the exposure to risks that clients are involved in."

"The appointment of an insurance commissioner and legislation by central government to control the insurance market has been the Australian experience. Is that what we want in New Zealand? Where is the spirit of individualism that used to be New Zealand's hallmark?"

"Do we want our Govern-

ment to have to regulate us? I hope not! If the reports of underwriting losses from the larger well established insurance companies in New Zealand are to be any guide, our industry must move to regulate itself, otherwise the Government will. Some of the current premiums being quoted by underwriters and brokers cannot be viable propositions. One wonders why companies offer uneconomic rates, in time there is a price to pay," Ryan said in his report.

He is now less enthusiastic about international underwriting.

He said he was not sure what sort of risk Universal was involved in Europe. He had not received the final details.

He mentioned car insurance in Europe as one area from which Universal was extricat-

ing itself. "I stopped this. I cancelled the lot," Ryan said.

A big danger in dealing in the European market, Ryan said, lay in the area of "secret commissions".

Now Universal's London-based subsidiary would be handling the European side of business, which included marine insurance.

Ryan said Universal would be involved in marine insurance in a small way only, thus limiting its own risk and reinsuring the major portion with Lloyd's underwriters.

Referring to recent experience Ryan said: "Sometimes the first I hear we are at risk in Europe is when we get a claim."

Among the ventures dropped since Ryan took over as chief executive was a scheme to cover boats owned by members of the Bucklands Beach Yacht Club.

## Yacht club sails

by Warren Berryman

BUCKLANDS Beach Yacht Club members went sailing during the Christmas holidays, confident their boats were insured through the club's group scheme. But last month the 250 boat owners were told they might have to see a solicitor to recover claims incurred between October 31 and January 16.

A settlement seems to have been reached in the negotiations between the club, its broker, New Zealand Marketing Consultants Ltd, and the underwriter, Universal Guarantee Assurance Company Ltd. The \$12,000-odd in outstanding claims will probably be met without litigation.

But the incident resurrects a number of questions that have been troubling the insurance industry:

- The relationship between unregistered insurance brokers, underwriters and the public.
- The traditional practice of brokers selling a cover note to an insured party, putting the underwriter at risk but not paying over the premium to the underwriter for up to 80 days (by that time the underwriter may have to pay out more in claims than he receives in premiums).
- The trend encouraged by higher interest rates which entices brokers to augment their commissions with interest income on the pool of premium created by the time gap of up to 80 days between receiving premiums and paying them over to the underwriters. Deliberate on-payment of

premiums on the last day also deprives the underwriters of the use of that money during part of the time they are at risk.

The dangerous results when insurance companies depend upon paying claims out of premium income at the same time as they are generating increased premium income by cutting rates to an unprofitable level in order to generate business growth.

New Zealand Marketing Consultants Ltd is a \$5500 capital company, owned by Bruce Smith and his wife. Smith is an unregistered insurance broker (not a member of the Corporation of Insurance Brokers).

In 1978 Smith sold a group insurance scheme to the Bucklands Beach Yacht Club of which he is a member. Universal Guarantee Assurance underwrote the risk.

Last October 31, the 250 or so contributing boat owners renewed their policy with Smith. Working within the traditional 80-day payment rule, Smith did not immediately pay over the \$34,878 in net premiums to Universal.

The high-volume group insurance scheme allowed members to obtain cheaper insurance than they might have bought as individuals.

The yachties, after paying over their renewal premiums to Smith, assumed they were insured.

Smith said he did not have a binding authority from Universal. (A binding authority sets out the limits to which he might commit the underwriter to risk and commits the underwriter to honouring the risk.

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## Insurance

## into risky waters with group scheme

which Smith might undertake on their behalf?

This is not unusual in an industry in which "my word is my bond" is an acceptable practice. Insurance companies are often put at risk by brokers with whom they have no contractual arrangements, and can receive claims before the first premium has been paid (sometimes before they learn they were at risk).

Last December, Universal received its bordereau (a list of boats insured and the nature of the risk) from Smith.

On December 24, Universal advised Smith it no longer wanted this business because of adverse claims experience and "an apparent reluctance to pay premiums on time".

Smith had to find another underwriter to cover the risk during the Christmas holidays. And the Christmas-New Year period, when yachties are racing their craft hither and yon, is the time when insurance companies are most at risk.

Smith paid Universal a cheque for \$5813 on Christmas Eve, which was accepted on a "without prejudice" basis.

That sum was one-sixth of the year's premium, covering the 2-month period between the October 31 renewal date and December 31, when Universal would drop the business.

Smith reinsured the boats with Monarch Insurance from January 18.

The Bucklands Beach Yacht Club and New Zealand Marketing Consultants notified club members of their plight late in January. A club newsletter advised members to see their solicitors if they had problems with claims.

Insurance cover was in doubt during two periods as a result of these developments.

Universal received no premium income from Smith until December 24. But eight claims totalling some \$10,000 were made between October 31 and December 31.

Universal chief executive Gerald Ryan said his company would meet those claims. "Morally it would be wrong not to pay," he said.

Ryan concedes he "may have been a bit hard on Smith, perhaps unjustly".

Smith was following traditional brokerage practice when he did not pay the premiums to Universal immediately after receiving the money. Under the 80-day rule, the money would not have been due until mid-January.

But Ryan questions the 80-day rule, especially when it is applied to unregistered brokers. He said he believed unregistered brokers should pay with the month, or within 10 working days as is done in Australia.

Registered brokers (members of the CIB) might be given longer, because they carry indemnities which are not required of unregistered brokers, Ryan said.

Ryan said that if Universal

had been paid the full Bucklands Beach premiums on, or before Christmas Eve, his company would have carried the risk for the full year from renewal date.

He said he would not pay claims on boats that were not included in Smith's bordereau, nor claims from parties who had not paid their premiums.

Ryan said he was concerned about having to pay claims in full when his company had received only one-sixth of the yearly premium.

Ryan said the Bucklands

Beach scheme had never been profitable for Universal. In this case, Universal faced paying out some \$10,000 for which it had received premiums of only \$5813.

Universal's premiums were calculated on a yearly basis covering both the high-risk summer and low-risk winter periods. But Universal was paid only one-sixth of the yearly premium on a pro rata basis, with no adjustment for the higher level of risk during that period.

After Universal dropped the

scheme on December 31, the boat owners were not insured until January 16 when Monarch went on risk. Smith said about \$2000 in claims arose during that period.

Smith told NBR he would pay those claims. That should leave the boatowners happy. But the two-week period when the yachts were uninsured raises another question.

Insurance companies are legally bound to post a \$0.5 million bond as a consumer protection measure.

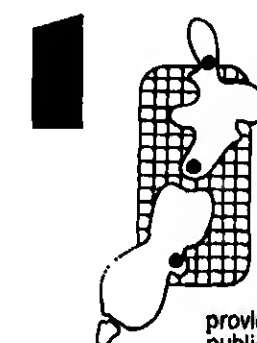
Smith's company is a brokerage house, not an insurance company. But, by meeting the claims for the uninsured period, Smith is acting as a *de facto* insurance company.

The series of events has forced Smith to protect the yachties retrospectively, after he thought cover had been procured through Universal, but if a major disaster had struck Bucklands Beach Yacht Club during that period, a small \$5500 capital company such as

Smith's may have been unable to meet the claims.

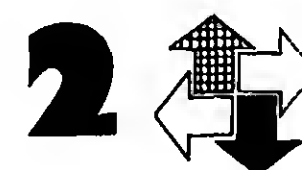
Overseas, the liability of a broker for failing to procure cover has been the subject of several court decisions, leading some brokers to take out negligence cover for themselves.

Smith said: "We have a nice deal going with Universal for five years. Then there's a change in management and the whole thing blows up in my face."

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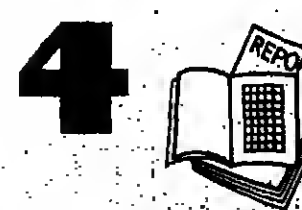
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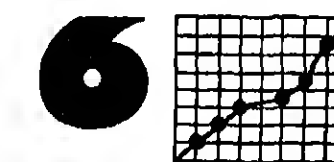
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For printing you might use a "goldball" printer — perhaps for trail printing. I explained a couple of months ago how printing each page as soon as it is typed or revised lets you use slow speed low-cost printers very effectively. Or there are two different print-intensive ("daisywheel") printers for print-intensive offices. Both printwheel printers can accept an optional cut-sheet paper feeder and stacker. Their prices are:

- "Goldball" 15cpc \$4695
- Printwheel 40cpc \$5500
- Printwheel 60cpc \$1170
- Sheet Feed Attachment \$1360

Add to this the monthly rental of the "software" (IBM Licensed Programs) which operate it. At present there are three different levels of text editing program available and their capabilities are explained further below:

- Textpack 1 \$19.80 per month
- Textpack 2 \$21.00 per month
- Textpack 3 \$32.30 per month

All levels of Textpack provide the Spelling Verification Aid which checks your typing against a 50,000 word in-built electronic dictionary. You can load your own 500-word supplementary dictionary or allow for your own names or technical terms.

The IBM Displaywriter System is an excellent text-editing machine which could work either in a standalone, non-systematised environment or as part of a well-planned, tightly managed Word Processing system — centralised or decentralised.

Where do you go from there? Again, because of the modularity of the IBM Displaywriter System, a lot of flexibility is possible. For example you can expand "horizontally" by having up to three

workstations share one "daisywheel" printer. The workstations are cable-connected and able to manage their own print queues. These printers have both ribbon and printwheel cartridges which results in easy ribbon and printwheel changes. They may have an optional cut-sheet feeder and stacker attached. And that saves a lot of the workflow management difficulties sometimes encountered in earlier resource Word Processing Systems. You might expand "vertically" by renting more complex software. For example Textpack 3 permits four-function maths to be performed without changing maths to be revised without changing the being typed or revised of figures around — programs. Textpack 3 also gives you the ability to move columns of figures around — sheets into this year's.

You needn't stop there: you can choose either asynchronous or binary synchronous communications programs:

- Asynchronous \$13.60 per month
- Binary Synchronous \$13.60 per month

and connect your Displaywriter System by telephone lines to either another similar text editing machine (within New Zealand or overseas) or into a suitably configured host computer. Which ever way you go you needn't take features that you don't want — until you do want them.

Note: Because the pricing depends upon the configuration and also upon small sundry items (such as cables) which themselves vary according to configuration, the above prices should not be taken as a definitive costing of a Displaywriter System. Ask your IBM rep to go through a Displaywriter Configuration Worksheet with you and get it correct — the last cent!

Tell us: The significantly low price of the IBM Displaywriter System is enough to recommend it, but it has a lot of other bonuses, too. IBM has really gone into operator comfort (sometimes referred to as "ergonomics") and we have come up with a machine that will be a true-setter in this regard. Check with your IBM Rep for the rest of the good news.

Regards  
Bob Chear  
Market Support Specialist

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# Doctoring prevents wear-and-tear injuries

by Belinda Gillespie

CASUALTIES of the keep-fit cult, take heart. Sports medicine, once performed only by St John Ambulance people on fallen rugby players, is now a flourishing branch of medicine.

Doctors can take their pick of seminars and books dealing with fitness, sport and the consequences.

They even have suggestions to prevent some sports-related injuries before they start.

"Sports-related" is a misnomer — violinists, it seems can get tennis elbow, and carpenters incur swimmer's shoulder.

Injuries usually come about from poor physical condition-

ing, or from persisting with an activity in spite of warning pain signals.

"Wear-and-tear" injuries is a more accurate name, according to an article in *Modern Medicine of New Zealand*. The five most common were listed as:

- Swimmer's shoulder, common in swimmers, weightlifters, carpenters and others who overuse their biceps;

- Achilles tendinitis which afflicts runners, and hurts most in the morning, or early on in a run, diminishing as the day or the work-out progresses. Ignored, it can become a chronic problem;

- Tennis elbow, caused by

strain on the forearm muscles at the point where they join the elbow. Tennis players, violinists, carpenters and houseworkers can be victims;

- Shin-splints is another running injury. It can be anterior (pain on the outside front of the lower leg) or posterior (pain in the middle front of the lower leg);

- Runner's knee which is often caused by a tendency for the foot to roll inwards, twisting the lower leg and forcing the knee-cap in the opposite direction.

They don't sound much — but anyone who has suffered the ignominy of tennis elbow or runner's knee knows that

wear-and-tear injuries are painful and depressing.

Invariably, medical advice is to stop doing whatever caused the problem. Runners and others, used to a daily work-out, can experience severe depression without their daily fix of exercise.

If you are looking for sympathy, forget it. The doctor will probably tell you your injuries are self-inflicted.

"You may have overtrained and failed to stop when you felt a warning pain. You may have persisted in your sport in spite of warning pains. You may have neglected to prepare the involved muscles for the sport

you wanted to pursue," *Modern Medicine* warned.

But injuries can be cured and stopped from recurring if a rehabilitation programme is carried out to the letter.

Once injuries are past the acute stage the general rule is to treat tendinitis with stretching exercises. Muscle and ligament injuries need a programme of strengthening exercises, and joint injuries are treated with "range-of-motion" exercise.

Specific exercises are best demonstrated by a doctor or physiotherapist. Doctors do have a few suggestions to help people rehabilitate and prevent second injuries.

Don't overtrain, for a start. Carrying out the same heavy

work-out each day is not the quickest way to get fit, and does promote injury.

Professional athletes follow a hard work-out day with an easy one. Muscles take about 48 hours to recover from minor damage caused by a tough training session.

If you feel good at the end of it — you'll feel sore the next day. Attempting another hard session before the muscles have a chance to heal may result in wear-and-tear injuries.

Heed warning signs. A one-stop pain in the calf, shoulder or elsewhere should be your cue to stop immediately. If you don't, damage is also inevitable.

That tired, heavy feeling at the beginning of a run should tell you not to follow through a heavy schedule. Subtly something lighter and go back to the heavy schedule the next day.

Whatever your sport, before increasing the demands you make on yourself, prepare carefully by increasing muscle-strengthening and tendon-tightening exercises in advance.

Next up — loosen inflexible muscles. The slight muscle injury caused by hard exercise makes muscles shorter as they heal, leaving them more prone to wear-and-tear injury. Between work-outs, the muscles should be stretched with specific exercises.

Cyclists, for example, should stretch their quadriceps (above the knee) and calf muscles.

Runners should concentrate on stretching calf, hamstring (back of the upper leg), inner thigh and lower back muscles.

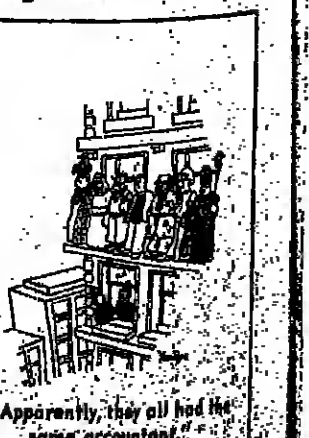
And finally, adapt to structural abnormalities — individual peculiarities such as flat feet and floating kneecaps can be corrected with devices such as arch supports or with exercise.

It is best to correct problems before beginning an exercise programme. A medical examination will help you identify abnormalities such as too much curve in the lower back, unequal leg lengths, flat feet and the like. Unless they are compensated for they will cause problems once the programme is underway.

If the worst happens and you are laid low with an injury, rest is essential. More of the same will only make it worse.

In the acute stage, ice packs on the injured part will help relieve pain and swelling — constricts blood vessels and reduces intramuscular bleeding.

Binding up the injury can also help swelling. So can elevation — prop up the injured part on pillows, or tilt the bed to stop fluid accumulating in the damaged tissue.



# A sobering message for believers

by Colin James

THERE has ever been a better time to be a Social Crediter. Suddenly they are smiled at, consulted, encouraged, invited out. As never before, they are being treated as a legitimate part of the political scene.

The wife of a prominent Social Crediter told me recently that she was all but cut off by her family when she announced her intention a couple of decades ago to marry into a Social Credit family.

Round where she lived, it was a bit like marrying a Maori. British liberal tradition demanded that it should be allowed, but it should definitely not be encouraged.

Now she finds herself noticed, welcomed and engaged in earnest and friendly conversation. And she is not alone in that: I have heard the same sort of tale repeatedly from other Social Crediters.

This does not necessarily mean that Social Credit is about to sweep all before it. But it suggests that a fundamental change in political attitudes has taken place.

One phlegmatic Social Crediter, whose involvement with monetary reform predates the 1935 election, when Labour won with vague Douglasite proposals included in its platform, says there is a similar feeling to that heady year — but not (yet) as intense.

In other words, things do not look good for the two older parties trying to win back what they lost in 1978, or at least stem the bleeding.

But all is not black. The big shift to Labour in 1935 was probably more negative than positive in character, as people of all sorts of walks of life found temporary compatibility in flight from the two old parties of the time — United and Reform.

As last week's article in this series showed, the current shift is probably negative in that sense.

According to my survey of Rangitikei — where there existed before 1978 conditions of Social Credit acceptability similar to those now being found nationwide — half of all recruits to Social Credit there gave "a plague on both your houses" reasons (as one of up to five reasons) for shifting.

So, logically, for as long as this negative motivation characterises the growing support for Social Credit, there remains some chance for the older parties.

ties to remedy the causes and reverse the drift.

For instance, take the tactical nature of much of the desertion of Labour for Social Credit evident in the quarter of such voters who gave "the chance to get National out in Rangitikei" as a reason for their choice.

This lends support to those Labour strategists who believe there will be two elections this year — one in seats Labour can conceivably win and will hold its support and one in seats where it has no chance and will lose votes to Social Credit.

It also gives hope of reconverting deserters if they see Labour with a genuine chance of winning the Treasury benches.

The Rangitikei survey offers some support for that view in that Labour deserters to Social Credit, while sharing many of the "loyal" Social Credit voters' feelings about the result generally, were less enthusiastic about Social Credit winning the seat.

And there is a minor message for Labour in its choice of candidates in the one-eighth of Labour deserters who gave dissatisfaction with 1978 Labour candidate Mas Hodgson as a reason for shifting. Better candidates, it seems, might have a better chance of holding the line.

But the degree to which Labour deserters having made the switch adopted something of the Social Credit outlook, evident in the two-fifths who expressed distaste for both the older parties, should concern Labour strategists.

And the survey suggests they were by and large rather conservative in outlook, not happy about a high-level of Government intervention or taxation and with higher-than-average income — in other words, the antithesis of what Labour is popularly thought to be on about.

For National strategists hoping to win back their lost flock the picture is likewise clouded.

National deserters tended to be pleased about the election result — mainly because National remained the Government, but without too big a majority and with a shakeup.

In other words, the 30 per cent of National deserters who had given "to teach the Government a lesson" as one of their reasons for shifting had got what they were after. Reform might logically get them back.

But the picture is not that simple. As with Labour deserters, there was a substantial minority of National deserters who had taken on something of the "loyal" Social Credit outlook — and were thus disappointed that National was still the Government.

And National strategists might take some heed of the third of "loyal" National who joined their disloyal former co-voters in thinking the shake-up the Government got in 1978 was a good thing.

What should National do about it? In answer to a question as to what the Government's role should be, those most likely to favour a low level of Government activity either switched to National or stayed there.

National deserters for Social Credit were more likely to prefer low-level activity than the "loyal" Social Credit voters they were joining and much less

Government out of people's lives.

The Rangitikei survey does not offer much support for that doctrinaire view. There was little concern among National deserters with over-regulation. If there was too much Government intervention, it was in the form of too many handouts.

The deserters were more concerned to have more Government intervention — in the form of whipping the unions into line — or improving the quality and so getting the economy back on the rails.

In answer to a question as to what the Government's role should be, those most likely to favour a low level of Government activity either switched to National or stayed there.

National deserters for Social Credit were more likely to prefer low-level activity than the "loyal" Social Credit voters they were joining and much less

WAS "getting the Government off our backs" really at the base of the National desertions for Social Credit in 1978? In this fifth article in a series, Colin James asks a survey of Nationalists after the election may need modification.

The series is mainly drawn from material now being prepared for publication in book form, covering the 1975 and 1978 elections, detailed surveys in Rangitikei, Roakill and Wairarapa in 1978 and 1979 and Heylen Polla and analyses since 1975.

likely to hold such a preference than the "loyal" Nationalists they were leaving.

To add to the confusion, they were the most likely group of all to favour a high level of activity. And they were also the group most likely to be found at the two extremes of the scales when the three levels were subdivided into eight.

In other words, it seems, they were less concerned about the level of Government activity than about its quality.

As for "loyal" Social Credit voters, they were more likely than any others to be found in the middle of the spectrum — and more likely to give illogical replies, illustrating, perhaps, the diverse nature of their origins and some confusion

about how the state fits in. For those devising strategies to counter Social Credit the message is simple and clear: the old left-right arguments about "private enterprise" and "socialism" no longer apply. But what to do about it is not so clear.

Social Credit appears basically populist in its appeal. And that is difficult to analyse in such a way as to lead to policy strategies that will counter the trend.

Populism searches for leadership. That, more than anything else, may be the key to the development of — and countering of — Social Credit this year.

NEXT week: This man Bruce Batham.

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# Marginal Lands Board fiasco: when MacIntyre the

by Colin James

THE new public Duncan MacIntyre is the man elected deputy leader of the National Party against the wishes of the majority of party members. Amid such controversy it is easy to forget that there was an old Duncan MacIntyre respected, admired, even idolised.

In those days there would not have been a murmur of protest at his elevation; it would have been widely welcomed.

More than any other single figure, MacIntyre encapsulated the "liberal-conservative" ethos of the National Party of the early 1970s.

He was the first Minister for the Environment and took the brief seriously, thereby raising Government consciousness of environmental issues.

In one of his more memorable comments of the time, MacIntyre called the Waitaiti River a sewer.

He was also the first Minister

of Maori Affairs with genuine empathy with Maoris.

By today's standards he was paternalistic — in an interview last year he said: "Maoris have always liked working with on the farm and as soldiers."

But in those days MacIntyre was a man of many parts, promoting a multi-cultural community and drawing sympathetic parallels with his own Scots forebears' lot in being deprived of their land in the clearances of the highlands last century were giant steps forward.

Those qualities added to a sense of fun — a dry humour and a love of practical jokes allied to an all-nighters-party-going capacity — made him a party conference drawcard.

True, he was — and is — a boring platform speaker, so low-key and undemonstrative as to be near inaudible and invisible. That ruled him out of most people's calculations of future leadership prospects.

But he was also thought extremely important to the party's electoral appeal. In 1972, when

he lost the Hastings seat in the Labour landslide, and again in 1975, when he came back into Parliament in Bay of Plenty (now East Cape) on the National return match landslide, he was a key selling point.

His "green" background, his intelligent gestures in race relations, his apparent decency, appealed to liberals in the non-man's-land between National and Labour.

He has since been superseded in this field by the Hamilton trio of Ian Shearer, Mike

Minogue and Marilyn Waring. Back in 1975, he was about all the party had to offer its own left wing.

Yet this liberal mystique was never entirely true. When you add up the pluses and minuses, MacIntyre comes out more conservative than liberal. Why, for instance, did he first go into Parliament in 1969? Because he thought he "could make a contribution".

What contribution? "The matter of CMT comes to mind," he said in the interview last year. (The second Labour Government abolished compulsory military training, to the disgust of territorial brigadier MacIntyre).

"I've always been interested in soil conservation and nature conservation and the general improvement, you might say, if that is possible, of men's lot."

A mission, an ambition to reshape society? In what way did he want to improve men's lot? Did he have some programme in mind?

"Oh, you work it out for yourself — men's lot."

Thus, abruptly, we went the shutters. The true liberal would have prattled on about freedom, justice and equality of life. The conservative prefers practical responses to on-the-spot needs.

It was as if, having got his Porangahau farm under control, he was moving on to a new block, limiting his sights to clearing the ragwort and trying out a new fencing technique rather than erecting a new Elysium.

But one cannot be sure about MacIntyre. Putting up the shutters is second nature. He is intensely shy and intensely private.

He put it thus: "I prefer to be up in the hills, by myself, than among people."

What's this? A politician who is diffident with strangers? Surely that is a contradiction in terms.

It is. MacIntyre covers for his unseemly with a dry humour that bemused first-time visitors frequently mistake for rudeness, indifference or unbecoming flippancy, or at least find confusing.

Sometimes, as when he had members of one producer board up for what they thought would be courtesy drinks after his appointment to the agriculture portfolio in 1975, it takes the form of a defensive aggressiveness, if you will pardon the expression.

The witty, fun-loving MacIntyre relaxing among friends gives way to a gruff, crusty figure of tension.

Contrast that with the evanescent gregariousness of his contemporary to the Cabinet, Trade and Industry Minister Lance Adams-Schneider.

The contrast goes deeper. There would scarcely be a minister more acutely tuned to the political niceties of his every move than Adams-Schneider.

MacIntyre, on the other hand, often gives the impression of not comprehending political parameters. It is probably this more than anything else that got him into the marginal lands fiasco.

It was at that point that MacIntyre the man parted company with MacIntyre the myth in many of his admirers' eyes.

First, they found it difficult to accept that he had

# man parted company with MacIntyre the myth

forgot his interventions in the Fitzgeralds' case. Jim and Audrey Fitzgerald, his son-in-law and daughter were living in his house and discussed the matter over the dinner table.

But even accepting MacIntyre's amnesia, those who admired the transparently honourable and upright figure of the early 1970s thought that honour and uprightness would at least prompt an honourable resignation.

Some acquaintances insist MacIntyre wanted to resign. There was much dark talk in National Party circles shortly after the affair blew up that MacIntyre was on the way out.

Two factors may have intervened. One was loyalty. The party leader wanted him to stay, so he did. Shades of the military MacIntyre.

Loyalty may also have had a hand in getting him in to the mess in the first place. Any honourable family man — and from all accounts, MacIntyre is definitely that — owes and gives a loyalty to his family that may lead him unwittingly and unintentionally to transgress other taboos.

The second factor may have been the vein streak which runs through most politicians and to the influence of which MacIntyre is said to succumb at times. Being deputy Prime Minister is not a prize to be lightly scorned.

Yet in a sense, even if the marginal lands business had never occurred, MacIntyre would be a doubtful choice.

He is not a high-powered intellectual, people who have worked with him say. Intelligent, yes, sometimes with an

uncanny skill for probing weak points. But lacking the breadth of comprehension of, say, a Brian Trollope, or the speedy precision of, say, a Jim McLay, or even the dogged head-in-cold-towel learning capacity of, say, a Derek Quigley.

MacIntyre acknowledges this himself. Asked last year if he would happily step into the prime ministerial shoes if called on, MacIntyre remarked on the monumental volume of complicated and difficult work a Prime Minister faces and said: "I don't think so. I don't think I have the capability of being a Prime Minister."

But note his contribution to agriculture.

Federated Farmers, which once found him impossible to read, now swears by his achievements. There are others high in the party who glowingly extol his work.

Their admiration comes



Duncan MacIntyre... inextricably linked to old party image

from his willingness to experiment — as a farmer, he was early into angora goats — and an ability to question. Coupled with a low-key public relations

style, these qualities have led MacIntyre to stimulate new forms of farming — deer, rabbits, horticulture — and develop fishing.

The MacIntyre years may well be looked back on as a time of critical and important transition in New Zealand natural resource development — not only in diversification, but also in confidence.

From sullen stagnation during the middle 1970s, farmers have turned to rapid expansion in the early 1980s. That is at least partly a tribute to MacIntyre's low-key persistence at Cabinet level.

But that success in agriculture does not make a deputy leader. If MacIntyre had a contribution to make at that level it is not in joint fishing ventures or macadamian nuts.

It would be in the uniting qualities of a fine figure and the Fitzgerald affair has so tarred the figure as to make it much less likely he can play that role effectively.

That is partly why the party, while still retaining consid-

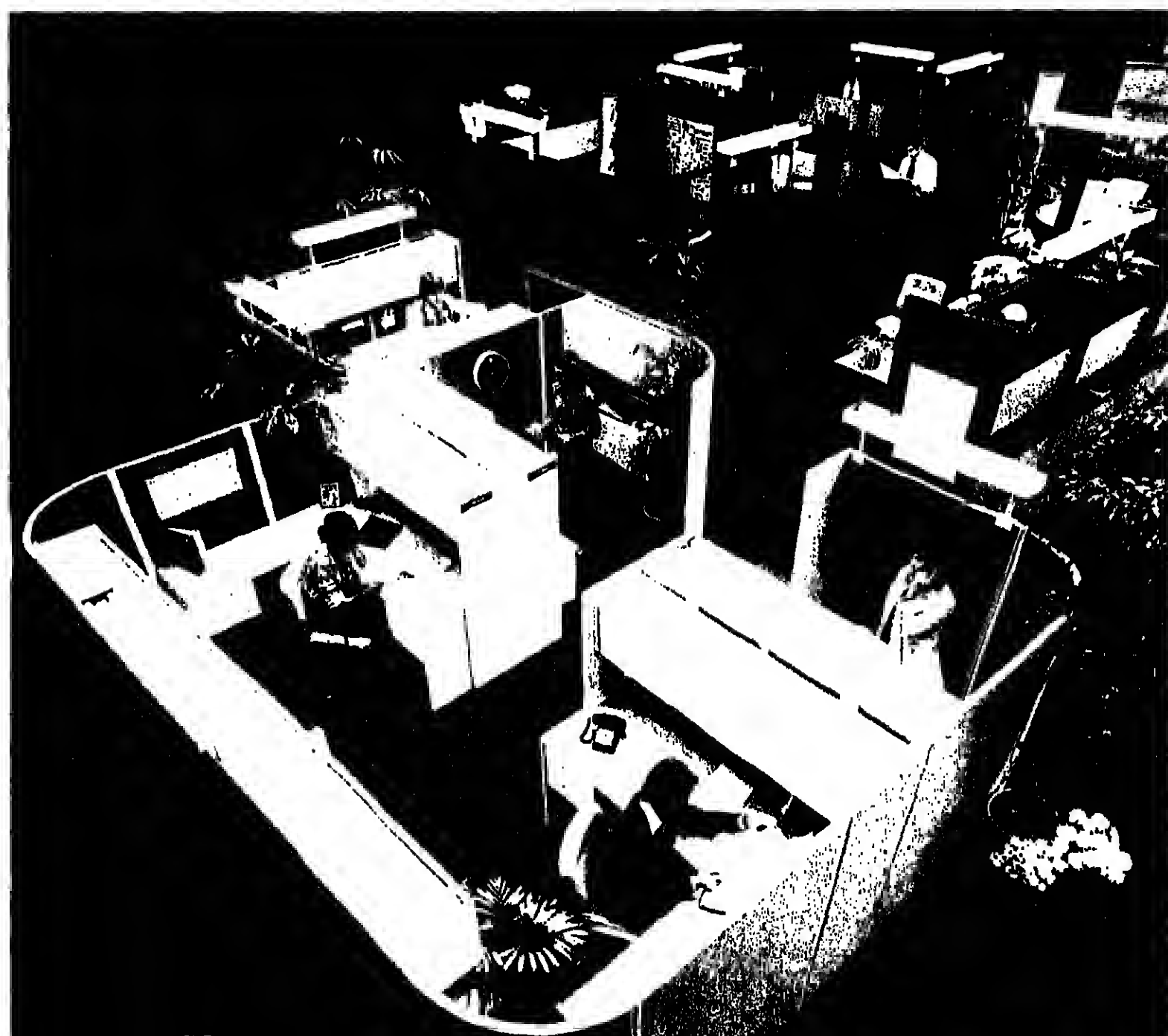
ble respect for him, felt he should not be given the job.

But there was another deeper criticism that weighed more importantly with the party in rejecting MacIntyre. That was that MacIntyre is inextricably linked in image with the 1960s and 1970s and the National Party badly needs to project a new image.

The 1960s-1970s image may be unfair. MacIntyre has shown the capacity to innovate and to be more flexible than his critics give him credit for.

The challenge ahead of the new deputy Prime Minister will be to demonstrate some of that innovative capacity and flexibility at the broad level of the whole of government activity.

Judgment must be temporarily suspended for a newcomer to a job; but the odds that he will achieve it do not look too good.



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## Oil substitutes

GREATER use of alcohol fuels to replace imported oil is urged by the United States National Alcohol Fuels Commission in its final report.

The report, entitled *Fuel alcohol: an energy alternative for the 1980s*, outlines a national strategy to increase the production of alcohol fuels and to begin manufacture of vehicles capable of running on 100 per cent alcohol.

Copies have been sent to President Reagan, members of the Congress and Federal offices such as the Department of Energy.

The report calls for alcohol use — both ethanol and methanol — to increase significantly.

Present consumption in the United States is limited primarily to ethanol bleached with gasoline to form "gasohol" and some methanol added in small amounts to gasoline to raise its octane level.

The commission recommends increased efforts to use such raw materials as coal and cellulose wastes to produce alcohol in addition to use of feed grains. Feed grains supply most of the ethanol used in gasohol in the United States.

The commission asks the Synthetic Fuels Corporation to give priority to supporting the construction of coal-to-methanol conversion plants, so that they will be ready by the late 1980s.

The commission estimates that such plants will take as long as eight years to construct. Copies of the commission's final report are now being studied by the Department of Energy's office alcohol fuels.

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## Mining and minerals

## Panic barometers: What comes down must go up

by Lindsey Dawson

THE gold coin spins lazily on a field of black velvet, its faces sparkling rays of light as it turns. A reassuring symbol of wealth and security in troubled times.

It's an ad for the Auckland Coin and Bullion Exchange — "where your financial freedom is our concern," says a deep, assured voice, that tells you everything's going to be okay.

But in the last 12 months the price of gold has dropped from \$850 to under \$500 an ounce. It is a temporary fluctuation according to local traders. It will only take an upheaval in Poland or some missile-potting by Ronald Reagan to send prices skyward again. Now is probably a good time to invest, but bullion buyers should beware, as prices and types of investment vary considerably.

Auckland Coin and Bullion is one of the newest and more obvious bullion trading firms in Auckland which are catering for the growing number of investors looking to salt away gold or silver in a bid to beat inflation. It was set up late in 1979 by Raymond Smith, 31, who formerly worked in the family concern of Smith Soil Industries before it was bought by Ceramco.

Business is booming at Auckland Coin, which has expanded its office space in Parnell Road, a trendy-looking establishment often graced by Smith's Rolls-Royce parked outside the door, and has opened a new office in Hamilton.

It is hard to find out how many bullion dealers there are in Auckland.

There is no bullion dealers' association, and only a handful feature in the Yellow Pages. But their presence is becoming high-profile.

"Competition is fierce," says Fraser Guthrie. He is one of five family members running the Guthrie brokerage, another newcomer to the bullion trading scene which has plush Queen Street offices decorated appropriately with gold-foil wallpaper.

Guthrie is mining its own gold coin to compete with Kruggerands and Canadian Maples. The company calls it the Kiwicoin, and says it can't keep up with the demand.

Matthey Garrett, in Penrose, part of the English Johnson Matthey financial group, is New Zealand's biggest bullion dealer and has been in business since 1932.

Silver Associates, of Parnell, owned by Walker and Hall, is another long established company.

Both are survivors from the days when the price of gold coasted along at about \$200 an ounce without anyone taking much notice.

Now gold and silver have become panic barometers. The worse things get politically and economically, the higher the bullion prices go.

An all-time high of \$850 was reached in January last year, and by October it had eased back to \$365. The release of the American hostages, confidence in President Reagan, and the high American prime interest rate have played a part in knocking down bullion prices from pre-Christmas levels. Dealers are predicting that prices will soon bottom. What happens after that depends on the world situation. But the bullion traders' adage is that

"what comes down, must go up."

The more conservative brokers regard bullion investment as a long-term deal, and short-term trading as a dicey business. Others, notably Guthrie, are keen to encourage short-term investment and help clients to keep a keen eye on daily price fluctuations so that they can make more frequent profits.

Rare coin prices can vary according to how accurately they are graded as there are big differences between medium and top-grade coins.

semi-retired and casting around for a new interest.

On a holiday in Tahiti he met an American bullion broker — "a delightful chap".

"He didn't try to sell me any gold," Smith said. "He said if you've got any money you ought to buy gold because it's going to be at least \$500 an ounce by Christmas."

"He was amazingly accurate as it turned out."

"So I came back to New Zealand and decided to do just that. I didn't have a clue where you bought gold. At that stage there was very little advertising

The going New Zealand price was \$480 at the time.

"While they were on their way here I thought well if these other companies are selling them at \$480 and I've got them for \$400 there's a buck in the middle, so I put an ad in the paper. Kruggerands for sale — \$445. The phone went berserk. In my first week's trading I made \$9000."

"I thought this was fabulous. So I brought in another heap and all these orders were coming in, everything was going great."

about the bullion business — absolutely nothing."

He contacted his American friends again who said if he was interested in staying in the business he could go over and learn — "they said it had taken them 15 years to learn how to do it and make money out of it."

"I went over and worked with them for about five weeks. In that time basically what they did was teach me how to work the bullion markets which are extremely complex."

"I still believe that I'm one of the few brokers in the country

Smith is aware that he is popular. "Before I came along the average profit margin was 20 per cent. I've cut that down for the public," he said.

David Hayley, of Silver Associates, said a wider "spread" (the difference between buying and selling prices) was necessary if one was looking at investment rather than speculation.

"If we're brokering it through, the profit margin can be as little as 1 per cent, but we want to take a position as to have a safety margin," he said. "We are not going to put ourselves or our customers at risk."

And Austin Ginos, managing director of Matthey Garrett, which has the wide spread on the market, says buyers should regard bullion as a long-term investment using only "spare" money.

During Smith's stay in the States he says he became convinced that numismatics was where the investors could make more money than they would out of bullion.

"So I studied the numismatic side of it extensively over there and came back and started this company selling bullion and rare coins," he said.

He has tried to persuade customers that his rare American coins will be a better investment because of their value than gold and silver bullion.

"The ones who bought bullion right at the top of the market have seen a drop in the value of their investment."

Some people accuse Smith of selling overvalued coins. One Auckland dealer took the bait from Auckland Coin and Bullion to Bowers and Ruddy, a top Los Angeles jewelry collector. He claimed the coins were "severely overvalued", a verdict which was reaffirmed by coin dealers in Honolulu.

Smith says he guarantees his gradings. "Nobody has come back to us to complain, but everyone's just happy we're delighted to buy them back."

He guarantees to repurchase rare coins at a minimum of the original selling price, as long as the customer has kept the coins for 12 months in the original packaging.

An Auckland coin dealer told NBR he had been selling coins from Auckland Coin and Bullion which he considered were overvalued. "I recently had a client in with a coin which he had bought for \$1200. I would have put a maximum price of \$800 on it," he said.

Smith asks how reliable the opinion of rival dealers can be. "I am surprised that you should even ask me about this," he told NBR.

He buys most of his stock from Stockton Coin Exchange in California, the firm which trained him and has a 25 per cent stake in his company.

Smith says it has a number of buyers purchasing coins from all over the States, and that he brings a shipment of coins to Auckland once a week.

"In some cases we do operate on grade," he said. "That's really fooling people. Things are extremely overvalued, and people are buying them at a price that's not right."

## Overseas trade

## Red carpet rolls on Middle East connections

by Allan Parker

THE red carpet had scarcely been put away after the visit of one Middle East politician before it was being brought out for the next.

Bahraini Finance and National Development Minister Ibrahim Abdul Karim will arrive in Wellington today for a week's visit. The Egyptian Minister of Supply Ahmed Nohh left the country yesterday.

And last week a combined Meat Board-Meat Exporters Council mission left for a promotional swing through major Middle East countries.

The flurry of activity reflects our growing trading links with the volatile but oil-rich Middle East region.

New Zealand officials have been developing a special relationship with the Bahrainis, who are regarded as key influences in the Middle East region. Bahrain has become a valuable jumping-off place for our interests.

In 1971, we sold \$30,000 worth of goods to Bahrain. This year, exports are expected to be worth over \$7 million.

That trend is duplicated throughout the region.

During the current killing season, the Middle East is expected to take some 130,000 tonnes of lamb — about one-third of our total lamb kill. (The importance of those figures is increased by the flow-on effect

of bolstering prices at Smithfield.)

Iran is New Zealand's second-largest sheep meat market. It took 14,000 tonnes (\$55 million) of wool last year and so far this season has taken 5829 tonnes (\$23 million).

In normal times, Iran is the world's second-largest free market for butter with an annual demand of 70,000 tonnes. (A national lunch-time meal, for example, consists of meat and rice with a two ounce dollop of butter on top. As one observer noted: "A million two ounces a day is an awful lot of butter.")

The Dairy Board has secured a further five-year contract with Iraq worth \$20 million a year, and Saudi Arabia and the Gulf Emirates are emerging as significant dairy markets.

The Egyptian visit last week reflects growing links with that country. Last year, for example, it bought 2500 tonnes of wool. Small, perhaps, in our total wool trade but another step into a 200-million strong market.

The manufacturing sector has not been idle, either. Across the Gulf (excluding Iran) sales of manufactured exports increased in the July 1980 year by some 100 per cent (from \$14 million to \$29 million). The region represents the fastest-growing market for our manufactures.

The Government-sponsored

participation at the Baghdad Trade Fair late last year is understood to have been very successful. Follow-up figures are still being gathered by the Department of Trade and Industry but our decision to participate in the fair at the height of the Iran-Iraq war has paid off for exhibitors.

Equally important, our decision not to cancel our presence at the fair has won respect and thanks from the Iraqis.

The New Zealand stance towards the region does not go unnoticed by the 20-odd countries there. As one Foreign Affairs official said: "They are sensitive to world opinion and look to their friends; it's amazing how comments by New Zealand come back."

Prime Minister Rob Muldoon's chairmanship of the World Bank committee looking into the question of Palestinian observer status to the bank has

promoted New Zealand's standing in Arab eyes. While we do not strongly support the Palestinians, at least we are prepared to listen. Again, it is one more link in the chain of contacts that have been steadily building in recent years.

The chain extends in to technical and educational fields. The Saudi Arabians are keen on our doctors and air traffic controllers. (Ironically, we are regarded at the professional level as a supplier of cheap labour — our skills can be bought for far less than our higher-priced European or American counterparts.)

While superficially disparate, the links assume greater importance when considered in total. They represent a gradual but sustained building up of trust and friendship with a region that has been more noted for its volatility and unpredictability.

Australia, on the other hand, has a position in nearly every capital in the region and political leaders make frequent visits there.

The last official visit to the area was in October 1979, when Muldoon opened the Bahraini cool store. Deputy Prime Minister Brian Talboys was due to attend the Baghdad Trade Fair but pulled out when war broke out.

Official contact therefore has been restricted largely to diplomatic missions. But there are only about a dozen New Zealand personnel sited in a region which contains up to 200 million people and is worth about \$200 million a year in exports.

Our Paris, Athens and Rome posts pick up some of the countries but on-site representation is restricted to the Tehran and Baghdad embassies and a Bahrain consulate.

Australia, on the other hand, has a position in nearly every capital in the region and political leaders make frequent visits there.

New Zealand contacts at a political level have been more spasmodic and our contacts have relied largely on diplomatic and trade missions.

In the last year, parties from Saudi Arabia, Oman, Libya, Iraq, Egypt and Bahrain have passed through Wellington, most of them including a visit to Australia as well.

Most visits in the past have centred on this country's food potential. But increasingly, Australia and New Zealand are being seen as attractive investment centres.

The Arabs have invested heavily in Europe and the United States and are looking elsewhere to put their petrodollars.

And while we are geographically remote, Australasia looms larger as a safe hedge for investment.

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The maxim, as with all financial transactions, is let the buyer beware.

Smith had no commercial knowledge of coin and bullion until shortly before he established his business a year ago. After setting out of Smith Soil Industries in 1978, he invested in a cigarette vending machine business, which he sold 10 months later to find himself

going on so I didn't really know where to start."

He saw the New Zealand price for gold was higher than the international prices.

He found he did not need import licences or Reserve Bank approval to import gold coins privately.

He rang his American contact and arranged to buy 200 Kruggerands at \$394 each.

"Gold had gone up to \$430 an ounce at this point. Then all of a sudden gold dropped. It went right back to \$370. I had all these things coming in that I'd bought at a higher price. And I lost."

"I lost all my profit and several thousand dollars in one night. I was terribly upset over this because I didn't know what I was doing. I didn't know

that really understands the bullion markets."

Other dealers might dispute his claim. Brokers around Auckland are often critical of each other and during interviews with NBR nearly all of them phoned out to other brokers to find out their prices for the day so that they could make points about their business methods.

Elizabeth Hergrove, an antique jewellery expert, had smaller chelms in her window for \$420 and would have sold it on a 17 per cent commission, or we could have auctioned it at a 20 per cent commission.

If you were trading in silver on February 3 you would have found different prices all over Auckland. They were: Matthey Garrett, \$417 a kilo (buy) and \$495 (sell); Auckland Coin and Bullion \$440 and \$488; Guthrie, \$452 and \$484; and Silver Associates, \$450 and \$480.

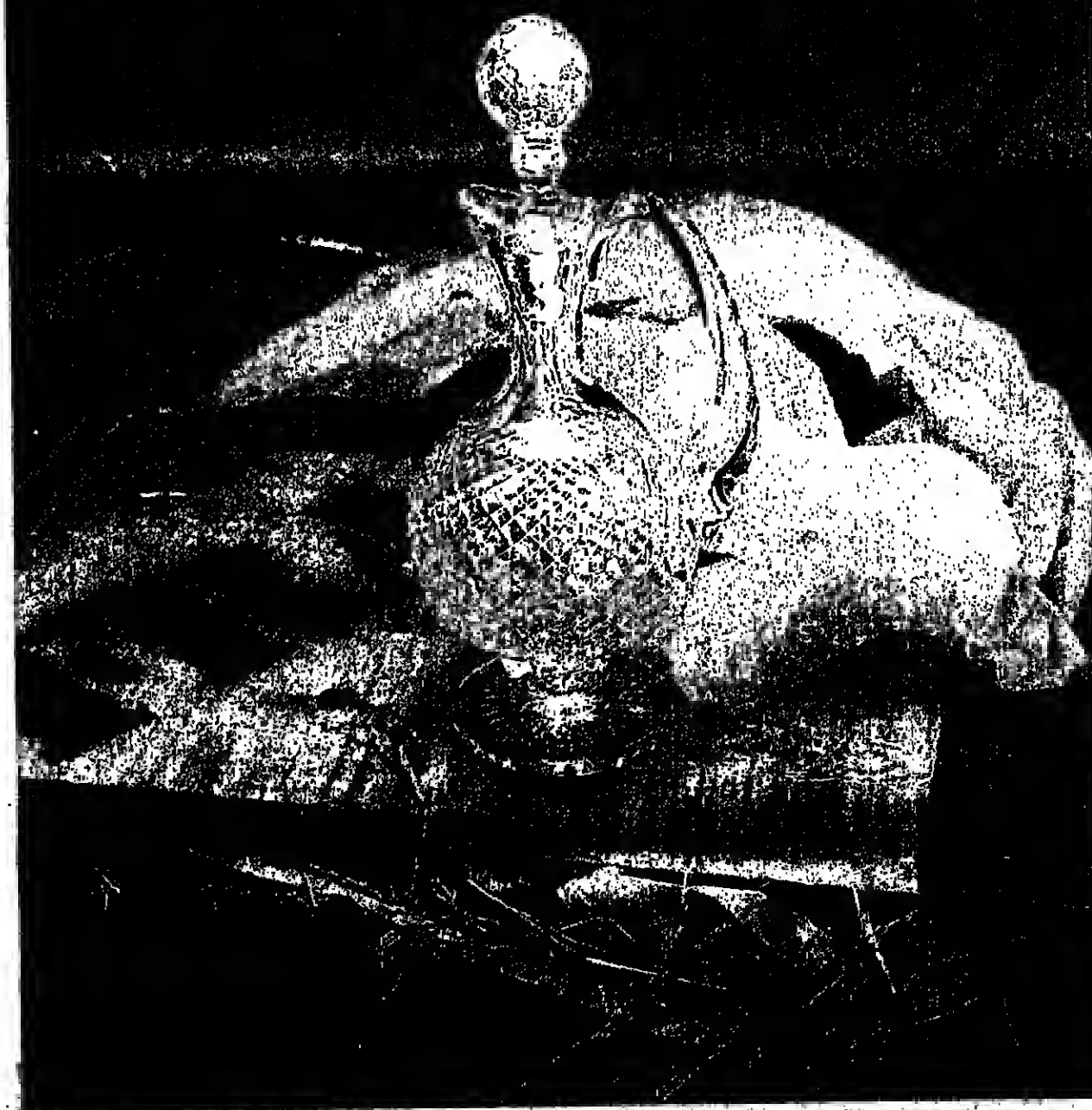
Kruggerand prices were: Matthey Garrett, \$514.08 (buy) and \$558 (sell); Auckland Coin and Bullion, \$510 and \$545; Guthrie, \$558 and \$580; and Silver Associates, \$520 and \$550.

As with all forms of investment, it pays the investor to look carefully at the market. Prices, whether you are selling or buying, are by no means standard, and with investments ranging from fine jewellery, through bars and ingots to newly minted coins and rare coins, the buyer should shop around.

High bullion prices are tempting many people to sell old jewellery and knick-knacks for scrap. NBR visited four bullion dealers to see what we could get for a 9 carat gold watch chain.

Auckland Coin and Bullion offered \$200, Matthey Garrett, \$238.88, D. L. Guthrie and Sons, \$189.89, and Silver Associates, \$251.25.

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# Co-operative opens chances for local toolmakers

NEW and potentially lucrative export markets for locally produced tools and moulds have been identified by the recently established Auckland Independent Toolmaking Association.

Back from attending the Western Plastics Exhibition in California, association president Bill Conolly brought requests for firm quotations for more than \$370,000 worth of contract work.

The requests came from a number of large American concerns represented at the exhibition.

"The Americans were very impressed with the quality of the tooling and dies we produce here, and being asked to quote for a number of jobs is the exporting breakthrough we have been dreaming about since forming our association," he said.

The association is a co-operative group of 22 companies engaged in tool and mould making for the plastics, diecasting and rubber industries.

A decision to attend the exhibition resulted from a long-term slowdown in some areas of local demand for tooling, coupled with tightening prices and a marked drop-off in apprentice intake.

The long-term viability of the tooling industry was affected by insufficient return to enable it to re-invest in the necessary plant and equipment, technology and training.

Conolly said the association had begun to:

- Secure the best production times for tooling projects, the natural follow-up being the direct export of finished tooling to ensure continuity of work-flow;

THIS survey on the plastics industry is prepared by David Peach in association with the Plastics Institute of New Zealand.

- The best financial return for a labour intensive product;
- To take advantage of the available government incentives.

The West Coast of the United States was chosen as the best prospective market because its time zone was within our working span for communications, it had a sophisticated and substantial market and a cost structure differential in this country's favour, effectively offsetting local transport and communication costs.

Australia is also a target market but was initially overlooked because several members of the association al-

ready have an established clientele there.

As a result of the interest shown the association has appointed an American agent.

"The decision to have a man in the marketplace is already proving to be wise. An increasing number of inquiries are being passed on through him, and he is able to identify any positive feedback and immediately offer our services," Conolly said.

He said the association, which has plans to become a national group, had fulfilled its stated objectives for attending the exhibition.

- Established the association's commercial and tech-

nical credentials in the market;

Investigated the commercial viability of exporting finished tooling to this market;

Established direct relationships with individual companies and persons in the marketplace;

Secured quotation options for short term tooling projects.

Conolly said the association

received a 100 per cent response to its follow-up and formal quotations for seven individual projects have been submitted.

He said America offered a vast market, allowing New Zealand the same opportunities as results-only basis is being enjoyed by the Japanese, Swiss and Portuguese toolmakers already represented there.

## Rising share of petrol needed for plastics

THE Worldwatch Institute of the United States recently published an analysis of the effect of rising petroleum prices on the synthetic materials industry.

It predicts that, over the next decade, the amount of the world's petroleum and natural gas devoted to the production of synthetic materials will rise from 3 to 6 per cent. And petroleum will continue to be the basic feedstock for plastics, as most of the mineral alternatives will become increasingly expensive.

The report states: "There are few cheap alternatives to most synthetic materials in use today. In an oil-short world, many resources that seemed plentiful are clearly limited, since their processing requires a large petroleum input. Most people are surprised by the fact that, with current patterns of production and use, many natural materials actually consume more oil and gas than synthetics do."

Synthetic materials have long been seen as a symbol of an unsustainable society's

dependence on non-renewable resources.

Many organisations have criticised synthetic dependence on fossil fuels for driving their energy-efficient competitors off the market. In calling for conservation in the use of materials, they appear to be drawing an arbitrary line between "efficient" natural materials and "wasteful" synthetics.

Plastic Institute executive director, Bruce Dunlop, concedes that there are wasteful and inefficient uses of plastics and natural materials. Recent progress in plastics technology — better processing methods, improved materials, new developments in waste recycling — is making plastics more and more energy efficient, he says.

"In terms of energy output, plastics already has a big advantage, which will increase in the next decade. The inevitable rise in the price of feedstocks is a relative cost — compared with other materials — and on that basis, the outlook for the plastics industry will be bright for decades to come," he maintains.

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# Removing misconceptions clears path to CER

TIES between the plastics industries on both sides of the Tasman took a step forward after the third round of discussions held in Melbourne earlier this month.

Australian opposition to the importation of New Zealand-produced goods made from resins sourced at world parity prices may have eased, leaving the way clear for the two parties to discuss the specifics.

Australian fears of an inequitable access and pricing

structure for plastics were allayed when the local delegation pointed out that world-wide sourcing of raw materials offset a number of disadvantages faced by plastics processors here.

- The disadvantages include:
  - Shorter production runs, and resulting higher unit production costs;
  - Higher gas and electricity charges;
  - Higher freight costs, both internal and external;

## Allaying fears of flexible packaging

PLASTICS packaging manufacturers are not alone when it comes to criticism of the products they produce.

The American Flexible Packaging Association suffers from pre-conceived, negative notions about packaging.

The metropolitan service district task force on waste reduction in Portland, Oregon was recently charged with recommending a solid waste disposal programme to its district council. High on the list of solid wastes was flexible packaging.

But a representative of the American Flexible Packaging Association, Laramie McNamara, pointed out that the federal government's own research proves that less than 4 per cent of the nation's solid waste consists of flexible packaging.

She said the federal government acknowledges that packaging of fresh vegetables results in 100 per cent of the vegetables being edible — leaving at most an ounce or less of waste; the package.

But, if packaging for fresh vegetables were not available, an average of 48 per cent of these food products would be inedible and have to be discarded.

She stressed that without packaging:

- Some 24 per cent of all the

usable energy in America would have to be devoted to food distribution;

America's national food bill would increase by \$16 billion;

America would suffer the 20-40 per cent crop losses of less developed nations;

Packaging costs the average American only 29¢ a day. Similar misconceptions about the true worth of flexible packaging also exists here.

The association pointed out that local primary industry has become dependent on the technological innovation of the plastics industry for efficient protective packaging.

Cheese mould has virtually been eliminated through the use of specialist film and all chilled meat exports rely on it to ensure overseas acceptability, good protection from bacterial growth and a practicable shelf-life.

And plastics packaging has become an essential part of fresh vegetable packaging, affording protection through the freight, handling and distribution chain.

An FPANZ spokesman said the association was making every effort to educate legislators, regulators and, more importantly, the consumer before misconceptions and problems develop.

- This country's isolation from its export markets.

The New Zealand delegation said that any benefits gained from being able to source raw materials at world parity prices could be balanced if more reasonable import licensing conditions were applied to Australian exports.

Current Government proposals for any CER agreement indicate that import licences would be available for goods of Australian origin.

PINZ executive director Bruce Dunlop said a number of misconceptions were put to rest at the meeting.

Concerns about local processors' pricing strategies were found to be the result of individual exporting companies' marketing philosophies rather than any raw material advantage which applied equally to local and Australian companies.

Dunlop said the Industries Development Commission was likely to recommend testing tariffs in various areas of the plastics industry by issuing import licences. But that will take two years to test.

Although the testing procedure could delay any agreement by at least two years, issuing new import licences was preferable to imposing a countervailing duty to account for any raw material price disparity.

The New Zealand delegation said the issue of import licences specifically for Australian goods under the proposed CER, combined with the phase-out of duties on Australian goods, would to a large extent, negate the intermediate goods problems faced by Australian processors.

In respect of export incentives, the two governments had commitments with each other to rationalise the schemes so that neither country had an advantage.

Current raw materials price disadvantages suffered by Australian processors are due to the cyclic behaviour of raw materials prices. Increase in American gas prices to world levels would, when combined with an upturn in that country's economy, lead to a marked increase in international resin

prices over the next two years.

By the time CER is introduced Australian-produced resins could be more in line with world parity price resins.

Current New Zealand plastics exports to Australia and imports from other countries were also discussed.

The meeting agreed there was little point in Australian manufacturers seeking to replace New Zealand suppliers, or vice versa, on either market, and that every attempt should be made for both groups to expand their share by taking markets from third country imports.

It was agreed that the Plastics Institute of Australia's approach to have developing country preferences removed from appropriate items in chapter 39 of the tariff would assist in this direction.

The PIA was asked to identify particular market sectors which could be made available to both country's manufacturers on the Australian market. PINZ are to do the same for the market here.

A market segment that appeared worthy of investigation

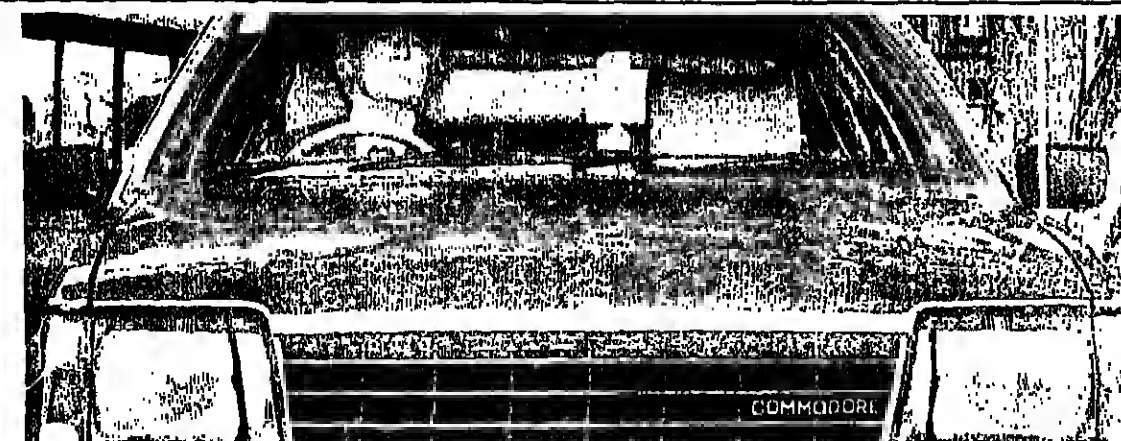
in Australia was that of film and bags. Significant imports come from Taiwan and Hong Kong.

While it might be difficult to get developing country preferences removed from Hong Kong and Singapore, a precedent has already been established for Taiwan goods.

Dunlop said three principle areas for Government action were identified. They are:

- The removal of developing country duty preferences as applied to the plastics industry;
- A long-term commitment by both countries, to maintain a margin of preference of at least 15 per cent in favour of each other against third countries;
- An amendment of Australian dumping legislation to enable action to be taken in cases where it could be shown that a third country, exporting plastics products to Australia, used dumped raw materials or raw materials purchased at less than world parity price in the production of those goods, (secondary dumping).

He said these proposals would now be promoted by the PIA and PINZ to their respective Governments.



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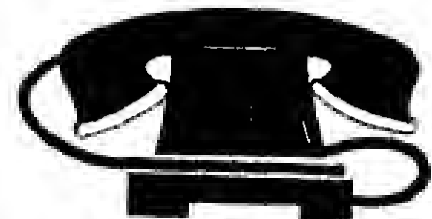
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### Plastics

#### Cooling off in colour

THE Auckland Trotting Club has come up with a winning number — different coloured saddlecloths for each race. The numbers are much larger than those on the old cloths — a boon for telecast and racegoers who usually need binoculars.

The Camlon Ripslop saddlecloths have taken some of the sweat out of the horses' night too. The PVC is soft and light and the colour plan means the horses do not have to wear a cloth dampened by a horse from a previous race. They can keep their cloths on until they have cooled off, lessening the chance of kidney infection.

The hardwearing cloths marked the opening of the new trotting season at the Franklin meeting at Alexandra Park. Other trotting clubs are placing their orders with manufacturer, Veo Lu Ree.

The new saddlecloths were suggested this year by ATC stewards, Cliff Keofoed and Jack Maich. Keofoed has been keen on the coloured cloths since watching them perform at Hollywood Park in the United States in 1975.

They approached Ven Lu Ree managing director, Bob Playle, and the hunt for suitable material began.

"We looked around for a tough fabric that could be made up in a different colour for each of the 10 races and Camlon Ripslop fitted the bill perfectly," Playle said.

"ATC worked out the size and style and we made up a sample for a horse trotting in a Pukekohe trial. Funnily enough it was number seven and Criterion Kin won."

ATC judge Stan Archer was also reported to have been impressed by the Pukekohe trial. He is confident the new saddlecloths will make his task a lot easier.

The saddlecloths have a base colour with contrasting trim and number and they correspond to the coloured shields marking the individual races in the racing guide.

ruoning repairs can be done with patches and adhesives at any railway depot.

Camlon is providing spin-offs for the railways as well. Local companies have caught on to the fact that the workshop has Camlon and the equipment necessary for high frequency welding. "We quite often get requests to make tarps for other industries," says Roberts.

Because the PVC tarps are versatile, they have proven a boon to the pulp and paper industry.

"We can weave the tarps onto the ridge pole like a tent to protect the pulp and keep it clear of the covers at the same time. The tarps also ensure the pulp keeps dry which is most important. Moisture increases the bulk of the load three times". Or the tarps can replace the sides of the wagon to act as curtains.

"They are easily rolled up and the goods do not have to be lifted over the side of the wagon. We did an exercise like this at Whakatane recently. We could unload a wagon in three minutes."

But the railways are still the workshops biggest customer. Last financial year 5711 tarpaulins and repairs for 15,000 others were made from PVC coated nylon fabric.

#### PET-based polyesters

COMMERCIAL status and new designations have been given to two development grades of PET thermoplastic polyester — "Rynite" RE-5060 offering reduced warpage and "Rynite" RE-5069 with higher stiffness.

These resins were introduced earlier this year by the Du Pont Company.

The low warp resin, now designated "Rynite" 935 thermoplastic polyester (formerly RE-5060), has a 35 per cent glass-mica content for balanced stiffness and strength. It has warpage characteristics similar to mineral-reinforced nylons, generally recognised to warp least of all the crystalline engineering plastics, and significantly lower than conven-

tional glass-reinforced polyesters.

Competing against mineral-glass and glass-mica PBT resins, "Rynite" 935 has a better balance of properties and a higher heat distortion temperature. These features make it attractive for automotive and other applications requiring elevated service temperatures. The new resin's flexural modulus of 1.4 million psi also makes it slightly stiffer than "Rynite" 530, Du Pont's commercial 30 per cent glass reinforced polyester, rated at 1.3 million psi.

"Rynite" 935 thermoplastic polyester, currently available for field testing, is expected to be used for automotive parts such as ignition components, electrical connectors, lamp reflectors and retainers, structural housings and a variety of exterior body parts. Other uses include computer keyboards, vacuum cleaner parts and irrigation equipment components.

The second resin was developed for applications requiring more stiffness than Du Pont's commercial "Rynite" 545, a 45 per cent glass-reinforced thermoplastic polyester. Reinforced with 55 per cent glass, "Rynite" 555 (formerly coded RE-5069) has a flexural modulus in the range of 2.6 million psi — 35 per cent stiffer than the 545 grade.

The PET-based polyester resins are highly compatible with glass reinforcement. Du Pont researchers believe that "Rynite" 555 has a degree of stiffness that is not possible with conventional PBT polyesters or nylons at a comparable glass loading. The new resin also offers improved creep resistance, dimensional stability and fatigue endurance.

"Rynite" 555 is suited for automotive structural support brackets, transmission components, clamps and housings where an unusual degree of stiffness and high load strength are required.

#### Cushioned education

CUSHIONING the pressure of education for young and



Fun foam ... can be domed, buckled, alpped or laced.

handicapped children is a new set of fun foam furniture covered with a lightweight PVC.

Vita Foam NZ Ltd of Upper Hutt developed the many odd-shaped play pieces after a group of physiotherapists from the Wellington Hospital Board approached the company with the idea.

Similar sets had been proved overseas and the physiotherapists were keen to see them work for their young handicapped patients.

The chunky, lightweight pieces are aimed at developing skills and confidence. There are donut shaped chairs, sets of seats, pieces that can be domed, buckled, slipped or laced — and children agree they are fun to tumble and move around on.

During the month of development a non-toxic, non-flammable Nylux PVC was chosen as the covering.

When the prototype was ready to be tested it was put in the foyer of the Vita Foam Upper Hutt office. According to factory manager, Allan Benge, visiting children went straight to it and began playing.

The hospital board has since bought four sets which have about 20 pieces. They are now in use in hospitals in the Wellington area. Kindergartens are also testing out the equipment with a free sample which has been distributed around Upper Hutt.

#### Chinese into packaging

THE first international packaging event ever to be held in China will take place in Kwangchow from March 12 to 19.

The exhibition sponsored by the China Packaging Import and Export Corporation, Kwantung Branch, aims to "introduce advanced and popular packaging equipment and materials to the China industrial and commercial enterprises so as to promote trade and technology". Exhibits will include packaging materials and machines, handling and conveying machines, printing machines, samples of finished packages and other miscellaneous packaging equipment.

Around 30,000 visitors have been invited from the relevant Chinese ministries, foreign trade corporations, production enterprises, research institutes, industry and other major end-users from all over China.

#### Resisting slips

THE Building Research Association (BRANZ) has recently completed an evaluation of the slip and impact resistance of commonly used in-

dustrial flooring materials, including plastics materials.

The tests, undertaken primarily for the meat industry, involved an evaluation of concrete, polymer modified concrete, ceramic tiles, polymer concrete (aggregates in a synthetic resin binder) and PVC sheeting.

Slip resistance was evaluated using a machine specially developed by BRANZ which reproduced human walking action.

Tests were carried out on wet and wet and tallow covered flooring materials. Of the 21 commercial materials tested, seven were considered to have adequate wet slip resistance, but only four had adequate wet and tallow coated slip resistance.

The BRANZ evaluation noted a correlation between surface texture and slip resistance. The slip resistance of materials like polymer concrete, for example, was determined to a degree by the size and shape of aggregate used, and whether or not the material was sealed after laying.

The tests showed that a close, coarse textured surface gave the best slip resistance but it was difficult to clean.

Impact resistance of the flooring materials was also evaluated on specially built equipment. The flooring materials were laid on slabs of concrete, and a 1 kilogram steel weight with a 4 mm diameter tip dropped on to the samples.

Damage was assessed by measuring the size of the impact crater and the degree to which the weight had penetrated the material.

The test results showed the epoxy or polyurethane concretes had the best impact resistance. Next best were the polyester concretes, epoxy modified concrete and fully vitrified ceramic tiles.

Monolithic (Iron, Quartz) concrete topping and ordinary concrete had a notably lesser degree of impact resistance, and PVC sheet was very readily perforated.

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